



**SUMATRA COPPER & GOLD PLC**  
**Annual Financial Statements**  
**For the year ended 31 December 2013**

**Registered Number 5777015**

**ABN 14 136 694 267**

**SUMATRA COPPER & GOLD plc** ABN 14 136 694 267

Level 1, 5 Ord Street, West Perth WA 6005 Australia

P +61 8 9389 2111 F +61 8 6298 6200 E [info@sumatracoppergold.com](mailto:info@sumatracoppergold.com) W [www.sumatracoppergold.com](http://www.sumatracoppergold.com)

Registered in England and Wales Registered Number 5777015 Registered address: 39 Parkside, Cambridge CB1 1PN United Kingdom

# SUMATRA COPPER & GOLD PLC

## CONTENTS

---

	<b>Page</b>
Corporate Directory	1
Strategic Report	2
Directors' Remuneration Report	8
Directors' Report	9
Independent Auditors' Report	17
Consolidated Statement of Profit or Loss and Other Comprehensive Income	19
Consolidated Statement of Financial Position	20
Consolidated Statement of Changes in Equity	21
Consolidated Statement of Cash Flow	23
Notes to the Consolidated Financial Statements	24
Parent Entity Financial Statements	54

# SUMATRA COPPER AND GOLD PLC

## CORPORATE DIRECTORY

---

### Directors and Advisors

#### DIRECTORS

Stephen Daniel Robinson (Non-

Executive Chairman)

Julian Peter Ford (Managing Director)

Adi Adriansyah Sjoekri (Executive Director)

Jocelyn Severyn de Warrenne Waller (Non-Executive Director)

Gavin Arnold Caudle (Non- Executive Director)

#### COMPANY SECRETARY

Alison Barr (United Kingdom)

Susan Hunter (Australia)

#### REGISTERED OFFICE

39 Parkside

Cambridge CB1 1PN

United Kingdom

#### AUSTRALIAN OFFICE

Level 1, 5 Ord Street,

West Perth WA 6005

Australia

Phone: +61 8 6298 6200

#### BANKERS

HSBC Bank plc

69 Pall Mall

London SW17 5EY

United Kingdom

National Australia Bank

1238 Hay Street, West Perth WA 6005

Australia

#### STATUTORY AUDITORS

PricewaterhouseCoopers LLP

Abacus House

Castle Park

Cambridge CB3 0AN

United Kingdom

#### SHARE REGISTRY

Computershare Investor Services Pty Limited

Level 2, 45 St. George's Terrace

Perth Western Australia 6000

Australia

Phone: 1300 552 270 (within Australia)

Phone: +61 8 9323 2000 (outside Australia)

#### WEBSITE

[www.sumtracoppergold.com](http://www.sumtracoppergold.com)

# SUMATRA COPPER & GOLD PLC

## STRATEGIC REPORT

---

Sumatra Copper & Gold Plc (the 'Company' the 'Group' or 'Sumatra') is an emerging gold and silver producer focused on the Indonesian island of Sumatra. The Company is currently focused on developing its 100%-owned Tembang Project ('Tembang' or the 'Project').

The Directors of Sumatra Copper and Gold Plc present their strategic report for the year ended 31 December 2013.

### **1. Review of the business**

Calendar year 2013 delivered a challenging climate for a gold development project. The gold price fell from early January 2013 highs of approximately US\$1,690 per ounce to a low of under US\$1,200 per ounce by June 2013, and finished the year trading in the range of US\$1,200 to US\$1,210 per ounce. The ASX All Ordinaries Gold Index, impacted by the gold price, fell 61% during the year. Sumatra's share price reflected this decline and fell from 17.25 cps at the start of January 2013 to 7 cps (-58%) at the end of December 2013.

Construction activities at the Tembang Project commenced in June 2013 following a US\$19.7 million equity raise. However, construction at the Project was suspended at the start of December 2013 after the completion of a diamond drilling program, upgrade of Mineral Resources at key deposits to compliance with the JORC Code (2012 Edition), and revision of the Tembang life-of-mine plan at more conservative gold prices. The Board decided that an additional drilling program to maximize debt carrying capacity and reduce the need for equity financing was in the best interests of shareholders. The objective of the program was to convert further Inferred Mineral Resources into Measured and Indicated Mineral Resources and extend the life of mine plan with additional deposits that had not yet been converted to comply with the JORC 2012 standard.

During the first half of 2013 US\$27.8 million associated with the Group's Tembang project were transferred from exploration and evaluation assets to property, plant and equipment upon receipt of final government approvals. Further capital expenditure at the Tembang Project totaled US\$20 million during the second half of 2013. The support of the Company's major Indonesian shareholders, who underwrote the June 2013 rights issue and provided bridging finance in December 2013, has been crucial in allowing the Company to progress the Tembang development while seeking to finalise the total funding package for the Project.

Subsequent to the end of 2013, the Company has announced revised Mineral Resource and Ore Reserve statements and expects to publish the results of a revised Definitive Feasibility Study in April 2014.

### **2. Review of Strategy and business model**

The Company is a junior mining company focused on the development of precious metals projects in Indonesia. The high grade Tembang project located in Southern Sumatra is anticipated to be the first production project for the Company.

At Tembang the Company's strategy has been to define sufficient reserves to finance construction of the Tembang project with reasonable levels of equity dilution. Cashflow from operations will then be reinvested to define new resources that would allow for extensions of mine life and increased production. Exploration potential at Tembang is significant in terms of the extension of known mineralisation at depth, strike extent of known veins and for new discoveries.

#### **Infrastructure**

The site access bypass road has been rebuilt and remaining site access roads refurbished. A 330 man camp has been completed, with new dining, kitchen and recreation facilities partially complete. The foundation of the explosives storage building has been cast and the mechanical structure is partially complete. The Tembang site office buildings and workshops have also been completed.

# SUMATRA COPPER & GOLD PLC

## STRATEGIC REPORT

### Budget and Estimated Cost to Complete

Table 1 shows the budget and estimated costs to complete, excluding the mining costs as these are likely to change with the updated mine plan scheduled for completion in Quarter 1, 2014.

**Table 1: Estimated Cost to Complete**

	DFS	Forecast Cost	Variance
	US\$'000	US\$'000	%
<b>Processing</b>			
EPCM <sup>(a)</sup> and project management	5,125	9,397	83%
Process plant	23,408	21,771	(7%)
Subtotal – Processing	28,533	31,168	9%
<b>Infrastructure</b>			
Preliminaries	243	1,204	395%
Surface infrastructure	2,847	2,861	1%
Tailings Storage Facility	152	746	390%
Owners costs	2,515	6,849	172%
Subtotal – Infrastructure	5,757	11,660	102%
Total pre-production capital	34,290	42,828	25%
Contingency included in total	(2,638)	(1,475)	

(a) EPCM (Engineering, Procurement, Construction and Management). These are the costs to be incurred in the mill construction.

At March 2014, the Company was currently reviewing the structure, resourcing and costs associated with the owners' costs ahead of an anticipated project recommencement Quarter 2, 2014.

### 3. Principal Risks and Uncertainties facing the Company

Risk assessment and management are fundamental components of the business – in planning for the Company's future and executing the strategy. The Group identifies, evaluates and manages significant threats and opportunities against business objectives. The Group's risk and tolerance levels are identified by the Board of Directors and are constantly monitored against group strategic goals, targets and performance.

The key areas of risk, uncertainty and material issues facing the Group in executing its strategy and delivering on its targets are described below.

#### 3.1 Funding

As noted above, the Company will be required to raise additional finances, either from its current investors, by raising equity in the market or other sources, to fund its future activities. There can be no assurance that the Company will be able to raise finance on acceptable terms or in a timely manner or at all. Failure to raise additional finance would have a material adverse effect on the Company. In order to alleviate this, the Group is in advanced negotiations to secure financing facilities to raise up to US\$ 30 million of debt. An Independent Technical Advisor has been appointed and is expecting to report by mid April 2014 allowing credit approval to be achieved. As announced on 31 March 2014 a mandate letter has been signed to raise the equity needed to complete full project funding and major shareholders are expected to support the equity raise. Furthermore, the Group has received a letter of support from a major shareholder expressing its willingness to provide additional working capital funding until the end of June 2014, in order to meet the short term commitments.

# SUMATRA COPPER & GOLD PLC

## STRATEGIC REPORT

---

### 3.2 *Commercial viability – early stage exploration projects*

With the exception of the Tembang Project which has Reserves and Resources, the mineral projects in which the Company has an interest are early stage exploration and are without fully proven commercial ore reserves. No assurances can be given that these other projects will achieve commercial viability.

### 3.2 *Environment*

The mineral project interests are located in Indonesia, a developing nation with a large number of ethnic and indigenous groups, whose fiscal and monetary controls, laws, policies and regulatory processes in many areas are less established than in developed nations, and where there is a wide range of policies, ideologies and attitudes between the numerous different political parties and candidates. The risks attached to exploration in a developing country, which are not necessarily present in a developed country, can impact on a range of factors such as sovereign risk, safety, security costs, ability to operate, country policy, fiscal provisions and laws, and can lead to delays or even the suspension of operations.

The projects in Sumatra are located in areas where there are indigenous communities and villages, and other land users. Any exploration and potential mining activities needs to appropriately consider the needs of these communities and land users and suitable land use compensation arrangements have to be entered into. The projects are carried out under Indonesian local legislation, which is subject to change from time to time.

### 3.4 *Metal prices volatility*

The Group's main focus is the gold and silver development of the Tembang project. The market prices for these commodities fluctuate widely. These fluctuations are caused by numerous factors beyond the Company's control. Causes of gold price fluctuations include the following:

- speculative positions taken by investors or traders in gold;
- changes in the demand for gold as an investment;
- changes in the demand for gold used in jewellery and for other industrial uses;
- changes in the supply of gold from production, disinvestment, scrap and hedging;
- financial market expectations regarding the rate of inflation;
- the strength of the dollar (the currency in which the gold price trades internationally) relative to other currencies;
- changes in interest rates;
- actual or expected gold sales by central banks and the International Monetary Fund;
- gold hedging and de-hedging by gold producers; and
- global or regional political or economic events.

A sustained period of significant gold price volatility may adversely affect the Group's ability to evaluate the feasibility of undertaking new capital projects or continuing existing operations or to make other long-term strategic decisions.

In order to mitigate this risk, the Group plans to hedge between 40% to 60% of its gold production.

## 4. **Key Performance Indicators**

The Group is currently involved in the development and construction of its Tembang gold/silver project. The Directors believe that there are no operational key performance indicators that can be used to assess the performance of the last financial year. On an ongoing basis the Directors monitor the operating cash outflows, capital expenditure and cash balances and JORC code compliant status of projects. The operating cash outflow for 2013 was US\$3.7 million (2012: US\$3.5 million) and year end cash balance was US\$4.1 million (2012: US\$7.8 million).

# SUMATRA COPPER & GOLD PLC

## STRATEGIC REPORT

---

### 5. Financial Review

#### 5.1 *Statement of comprehensive income*

The Group recorded a net loss for the year ended 31 December 2013 of US\$18.9 million, representing (US\$5.3) cents per share, in comparison to a net loss for the year ended 31 December 2012 of US\$4.4 million representing a loss of (US\$2.2) cents per share.

The net loss for the year of US\$18.9 million was mainly due to a provision for impairment of property plant and equipment (US\$8.6 million) as noted in section 5.3, the write down of exploration and evaluation assets incurred in Sontang (US\$4.6 million), general administrative expenses (US\$4.6 million), and net financing costs (US\$0.9 million). Net financing costs mainly comprise of net interest expense relating to the current and long term debts. Foreign exchange loss comprise of realised and unrealised movements on the conversion of non-USD cash held.

General administrative expenses of US\$4.6 million mainly comprised labour costs of US\$2.1 million, overheads of US\$1.5 million; and consultants and investor relations of US\$1.0 million.

#### 5.2 *Statement of financial position*

Total assets increased by US\$11.1 million to US\$48.5 million from 31 December 2012. The increase in total assets was mainly due to a net increase in property plant & equipment and exploration and evaluation assets (US\$14.1 million) as a result of development activities undertaken in the Tembang project including drilling, feasibility studies, underground drill rig offset by the impairment charges as noted in section 5.3 below. The increase in property plant & equipment was partly offset by a decrease in cash and cash equivalents (US\$3.6 million).

Total liabilities were US\$12.4 million, an increase of US\$4.4 million from 31 December 2012. The movement in total liabilities was mainly as a result of an increase in trade and other payables (US\$6.4 million) due to the development activities undertaken during the year and increase in borrowings (US\$1.1 million) in financing facility with Atlas Copco Customer Finance; offset in part by net decrease in convertible notes (US\$2.9 million) due to the repayment of the secured bank convertible loan with Macquarie Bank Limited (US\$5.4 million) and the new convertible loan entered during at the end of the year with Provident Capital Partners (US\$2.5 million).

Total equity of US\$36 million at 31 December 2013 increased by US\$6.6 million from 31 December 2012 primarily as a result of the capital raising completed during the first half of the year on the 38 million Sumatra CDI's to the Company's major shareholder and cornerstone investor, Provident Minerals Pte Ltd (A\$8.36 million) and the completion of the rights issue, undertaken on a two-for-five basis, where a total of 117.8 million CDI's were issued, resulting in gross proceeds to the Company of A\$20 million. The increase in equity was offset by an increase in accumulated losses (US\$18.9 million) and a decrease in reserves (US\$1.0 million). The decrease in reserves was mainly attributable to a decrease in the foreign currency translation reserve (US\$1.3 million) and an increase in share-based payment reserve (US\$0.3 million).

#### 5.3 *Impairment*

During the year ended 31 December 2013 the Company wrote off the carrying value of exploration and evaluation costs totaling US\$4.6 million. These costs were associated with the Company's Sontang, Jambi, Madina 1, Madina 2 and Musi Rawas projects as no further exploration work is currently planned on these properties (refer note 14 of the consolidated financial statements). Furthermore, The Company identified impairment indicators such as declining gold prices, a significant decline in the market value of entities producing the same commodity and the Company's market capitalisation being lower than the value of the long term assets. During the year ended 31 December 2013, due to a number of factors including current market consensus on long-term gold along with reduced long term projected cash flows resulting from drilling campaigns conducted during the year on Tembang, the Company has recognised an impairment charge of US\$8.6 million on its property, plant and equipment for the year ended 31 December 2013 (refer note 16).

# SUMATRA COPPER & GOLD PLC

## STRATEGIC REPORT

---

### 5.4 *Statement of cash flows*

During the year, cash and cash equivalents decreased by US\$3.7 million. Included in the cash movement from 31 December 2012 is a negative currency adjustment of US\$0.3 million.

Cash outflows from operating activities for the period were US\$3.7 million, driven primarily by increased operational cost resulting from increased development activities.

Net cash outflows from investing activities for the period were US\$23.8 million. The cash outflow included the development activities undertaken in the Tembang area, feasibility studies and drilling and exploration expenditure incurred in Sontang, Jambi, Madina 1, Madina 2 and Musi Rawas.

The net cash inflow from financing activities of US\$24.3 million mainly reflects US\$27.8 million (A\$28.0 million) equity raising through a strategic placement of 38 million Sumatra CDI's to the Company's major shareholder and cornerstone investor, Provident Minerals Pte Ltd (A\$8.36 million) and the rights issue undertaken on a two-for-five basis, where a total of 117.8 million CDI's were issued, resulting in gross proceeds to the Company of A\$20 million. During the period the company paid out the secured convertible loan note held with Macquarie Bank Limited of US\$5.1 million and subscribed a 12 months convertible note of US\$2.5 million (tranche 1) with Provident Minerals Pte.

### 5.5 *Financing*

The Company used the proceeds of the February 2013 placement (38 million Sumatra CDI's) to repay principal and capitalised interest for the 1 year Macquarie Bank convertible loan. The US\$5.0 million facility was put in place when the company share price was trading below 12 cents per share.

In June 2013, Sumatra completed a rights issue, undertaken on a two-for-five basis, following the award of the Final Forestry Permit for Tembang in April 2013. The issue was fully sub-underwritten by the Company's major shareholder and cornerstone investor, Provident Capital Partners Pte Ltd. The Offer opened on 22 May 2013 and closed on 5 June 2013 with a strong take-up by shareholders of more than 60 per cent. At the closing date, Sumatra received applications for approximately A\$ 12.1 million (71.1 million CDI's) from shareholders. A total of 117.8 million CDI's were offered under the rights issue. The Company arranged for the balance of the underwritten amount (A\$7.9 million or 46.8 million CDI's) to be taken up by the underwriter, Patersons Securities Limited. Sumatra subsequently allotted and dispatched the remaining shortfall CDI's to the underwriters, resulting in gross proceeds to the Company of A\$ 20 million. Holding statements for the new securities were dispatched on 13 June and trading of the new CDI's commenced on 14 June 2013. Following completion of the rights issue, Sumatra has 414,467,651 shares and 46,930,000 unquoted options on issue as at 31 December 2013.

On 18 December 2013, the Company entered into a "Convertible Loan Facility Agreement" with Provident Capital Partners ("PCP") to provide an unsecured convertible debt facility of US\$ 4.0 million under the Company's available ASX Listing Rule 7.1 placement capacity and subject to compliance with all regulatory guidelines including the ASX Listing Rules. The facility can be draw down in two tranches; the first tranche of US\$2.5 million (draw down during the year ended 2013) and the second tranche of US\$1.5 million available to be drawn based on certain conditions precedent including satisfactory progress on the planned drill program at the Tembang Project (draw down subsequent to year end on 6 March 2014). Interest is creditable under the facility at 9% per annum (compounded monthly on the last day of the month and accrue daily and calculated on the basis of a 360 days year), payable in cash upon repayment of the facility, with a facility fee of 3% to be capitalised and repaid on maturity of the facility.

In addition to the convertible loan, PT Dwinad Nusa Sejahtera, a subsidiary of the Group entered into a US\$1.107 million 36 month financing facility with Atlas Copco Customer Finance AB during December 2013, to finance an underground drill rig. Down payment of US\$0.193 million was made at commencement of the facility, with the remaining principal repayable in monthly equal instalments (plus interest at a fixed rate of 7.5%) commencing 31 December 2013.

# SUMATRA COPPER & GOLD PLC

## STRATEGIC REPORT

---

### 6. Key Management Personnel

Key management personnel (KMP's) are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. For the year ended 31 December 2013 the key management personnel were the Directors, Chief Financial Officer (CFO) and Chief Operating Officer (COO).

The following is the board composition and KMPs as at 31 December 2013:

#### ***Executive Directors***

Julian Ford (appointed Managing Director 30 January 2012)

Adi Adriansyah Sjoekri (appointed Executive Director 31 March 2011)

#### ***Non-Executive Directors***

Steve Robinson (appointed Non-Executive Director on 8 July 2013 and Chairman on 23 August 2013)

Jocelyn Waller (resigned as Managing Director 31 May 2011) and currently Non-executive director

Gavin Caudle (appointed on 26 September 2013)

Warwick Morris (resigned from the board of Directors effective 1 October 2013)

#### ***Executives***

David Fowler (appointed Chief Financial Officer on 23 August 2013)

Donovan Harper (appointed Chief Operating Officer on 10 February 2012)

Signed in Perth this 31<sup>st</sup> day of March 2014

in accordance with a resolution of the Board of Directors:



Julian Ford  
Managing Director.

# SUMATRA COPPER & GOLD PLC

## DIRECTORS' REMUNERATION REPORT

The policy of remuneration of Directors is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

### Remuneration Report - Audited

Details of the nature and amount of each major element of the remuneration of each Director and Key management Personnel "KMP" of the Group are:

	Year	Primary fees US\$	STI Cash Bonus US\$	Post-employment Contributions US\$	Options expense in the period US\$	Total US\$	Options as % of remuneration
<b>Executive Directors</b>							
Julian Ford (appointed Managing Director 30 January 2012)	2013	319,506	-	29,554	202,117 <sup>(a)</sup>	551,177	36.7%
	2012	262,371	117,720	22,073	69,422	471,586	14.7%
Adi Adriansyah Sjoekri (appointed Executive Director 31 March 2011)	2013	213,004			27,523	240,527	11.4%
	2012	272,706			30,563	303,269	10.1%
<b>Non-Executive Directors</b>							
Steve Robinson (appointed Non-Executive Director on 8 July 2013 and Chairman on 23 August 2013)	2013	42,775			-	42,775	
Jocelyn Waller (resigned as Managing Director 31 May 2011)	2013	44,106			-	44,106	
	2012	45,262			-	45,262	
Gavin Caudle (appointed on 26 September 2013)	2013	19,364			-	19,364	
Warwick Morris (resigned from the board of Directors effective 1 October 2013)	2013	62,775			-	62,775	
	2012	80,911			-	80,911	
Peter Nightingale (resigned 15 August 2012)	2012	57,504			-	57,504	
Michael Price (resigned 30 January 2012)	2012	2,959			-	2,959	
<b>Executives</b>							
David Fowler (appointed Chief Financial Officer on 23 August 2013)	2013	121,025	-	11,195	-	132,220	
Donovan Harper (appointed Chief Operating Officer on 10 February 2012)	2013	242,050	-	22,390	-	264,440	
	2012	215,820	196,200	20,233	-	432,253	
<b>Total, all Directors and Key Management Personnel</b>							
	2013	1,064,605	-	63,139	229,640	1,357,384	16.9%
	2012	937,533	313,920	42,306	99,985	1,393,744	7.2%

(a) The expense includes US\$83,534 relating to options that were cancelled during the period.

# SUMATRA COPPER & GOLD PLC

## DIRECTORS' REPORT

---

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2013.

### Directors

The names and particulars of the Directors of the Company who served at any time during or since the end of the financial year are:

**Mr Stephen Daniel Robinson *B.Sc.***

**Independent Non-Executive Director – appointed 8 July 2013 and Non-Executive Chairman – appointed 23 August 2013, Member of the Audit Committee**

Mr Robinson is an experienced Australian mining executive and a Rhodes Scholar. He is a Director of independent corporate advisory firm Lincoln Capital Pty Ltd and has extensive international experience at senior executive levels within the mining industry.

He was previously a Director of Barrick (Australia Pacific) Limited and Bulletin Resources Ltd, Group Manager Planning with the leading Australian mineral sands producer Iluka Resources Ltd and a senior manager in the gold business unit at WMC Resources Ltd until the divestment of the gold business in 2001.

Mr Robinson is currently a Non-executive Director of ASX-listed company Orrex Resources Ltd.

**Mr Julian Peter Ford *BSc(Eng), BCom, Grad Dip (Bus. Mgt)***

**Managing Director – appointed 30 January 2012.**

Julian Ford is an experienced mining professional with a career spanning more than 25 years within the global resources industry. He has held senior positions within several major resource companies including Alcoa, British Gas London and Western Metals Limited and co-founded copper and gold focused exploration and development company Zambezi Resources Ltd in 2004.

Mr Ford holds a degree in Chemical Engineering from the University of Natal, a Bachelor of Commerce from the University of South Africa and a Graduate Diploma in Business Management from the University of Western Australia.

**Mr Adi Adriansyah Sjoekri *BSc, MSc, MBA (Management)***

**Executive Director – appointed 31 March 2011.**

Adi Sjoekri is an Indonesian national who graduated with a degree and a Master of Science in Geology from the Colorado School of Mines in the U.S.A. He completed his further education with an MBA in management at Monash University in Jakarta.

Mr Sjoekri has more than 17 years' experience working for major companies such as CSR and Newmont throughout Indonesia and more recently as a successful consultant to the mining industry. He was instrumental in recognising the opportunity to acquire mineral tenements in Indonesia in 2006.

# SUMATRA COPPER & GOLD PLC

## DIRECTORS' REPORT

---

**Mr Jocelyn Severyn de Warrenne Waller MA (Hons) (Cantab)**

**Non-Executive Director, Chairman of the Audit Committee, Chairman of the Remuneration Committee**

Jocelyn Waller is a British national who is a founding shareholder and Director of the Company. Mr Waller graduated from Churchill College, Cambridge with a Master of Arts in History in 1965 and has since spent his entire career in the mining industry. For 22 years he worked for the Anglo American group and was involved variously with tin mining (Malaysia and Thailand), copper/cobalt (Zaire), potash (UK), tungsten (Portugal), exploration and metal sales (London).

In 1989 he set up Avocet Mining plc ('Avocet') and as CEO developed the Penjom gold mine in Malaysia and listed Avocet on the London Stock Exchange. In 2000 he set up Trans-Siberian Gold plc ('TSG') to develop gold projects in Eastern Russia listing TSG on the AIM market of the LSE in 2003.

**Mr Gavin Arnold Caudle B.Com Finance and Law, Chartered Accountant**

**Non-Executive Director – appointed 26 September 2013**

Mr. Caudle is Perth born and educated and has over 20 years' experience in the finance and investment sectors in Australia, Singapore and Indonesia. He joins the Board as the representative of Sumatra's major shareholder and cornerstone investor, Provident Capital Partners Pte Ltd.

Since 2003, together with his partners, Mr. Caudle has developed numerous successful businesses in Indonesia including Tower Bersama Group (a telecommunications infrastructure business) and Provident Agro (a plantation business) with assets currently valued in excess of \$4 billion. Mr. Caudle was previously a partner in Arthur Andersen Jakarta Office and Country Head of the Investment Bank Salomon Smith Barney for Indonesia.

Mr. Caudle is currently a Director of Provident Capital Partners Pte Ltd and a Non-Executive Director of two other ASX-listed resource companies, Finders Resources Limited and Sihayo Gold Limited.

**Mr Warwick George Morris BSc (Hons), MSc, MAusIMM Chairman – resigned 23 August 2013, Non-Executive Director – resigned 1 October 2013**

**Mr Graeme Smith BEc, MBA, MComLaw, FCPA, FCIS, FCSA, MAusIMM**

**CFO and Joint Company Secretary – resigned 1 October 2013**

**Mrs Alison Barr LLB (Lond)**

**Joint Company Secretary**

Alison Barr is a British national who was appointed as Company Secretary of the Company in December 2006. Mrs Barr graduated from University College, London with a Bachelor of Laws and qualified as a solicitor in 1974. She is head of the Commercial Department at Barr Ellison LLP, Solicitors, who have been legal advisers to the Company since December 2006.

**Mrs Susan Hunter BCom; ACA; F Fin; GAICD; ACIS; ACSA**

**Joint Company Secretary – appointed 1 October 2013**

Ms. Hunter has over 19 years' experience in the corporate finance industry. She is founder and Managing Director of consulting firm Hunter Corporate Pty. Ltd., which specialises in the provision of corporate governance and company secretarial advice to ASX listed entities, and previously held senior management roles at Ernst & Young, PriceWaterhouseCoopers and Bankwest, both in Perth and Sydney.

Ms. Hunter holds a Bachelor of Commerce degree majoring in accounting and finance, is a Fellow of the Financial Services Institute of Australasia, a Graduate Member of the Australian Institute of Company Directors and a Member of the Australian Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia.

# SUMATRA COPPER & GOLD PLC

## DIRECTORS' REPORT

### Directors' Meetings

The number of Directors' meetings held and number of meetings attended by each of the Directors of the Company, while they were a Director, during the year are:

	Board meetings		Audit Committee meetings		Remuneration Committee meetings	
	Held	Attended	Held	Attended	Held	Attended
Steve Robinson <sup>(1)</sup>	6	6	1	1	1	1
Julian Ford	11	11	-	-	-	-
Adi Sjoekri	11	11	-	-	-	-
Jocelyn Waller	11	11	3	3	2	2
Gavin Caudle <sup>(2)</sup>	3	3	-	-	-	-
Warwick Morris <sup>(3)</sup>	8	8	2	2	1	1

(1) Mr Robinson was appointed Non-Executive Director on 8 July 2013 and Non-Executive Chairman on 23 August 2013

(2) Mr Caudle was appointed Non-Executive Director on 26 September 2013

(3) Mr Morris tendered his resignation as Chairman effective 23 August 2013 and ceased to be Non-Executive Director on 1 October 2013

### Directors' Interests

At 31 December 2013, the beneficial interests of each Director of the Company in the issued share capital of the Company are:

Specified Directors	Held at 1 January 2013	Purchased	Sold	Exercise of Options	Held at 31 December 2013
Steve Robinson <sup>(1)</sup>	-	220,000	-	-	220,000
Julian Ford	-	1	-	-	1
Adi Sjoekri	4,974,000	277,501	-	-	5,251,501
Jocelyn Waller	1,866,411	1	-	-	1,866,412
Gavin Caudle <sup>(2)</sup>	-	-	-	-	-
Warwick Morris <sup>(3)</sup>	7,243,328	256,673	-	-	7,500,001

(1) Mr Robinson was appointed Non-Executive Director on 8 July 2013 and Non-Executive Chairman on 23 August 2013

(2) Mr Caudle was appointed Non-Executive Director on 26 September 2013

(3) Mr Morris tendered his resignation as Chairman effective 23 August 2013 and ceased to be Non-Executive Director on 1 October 2013

# SUMATRA COPPER & GOLD PLC

## DIRECTORS' REPORT

### Option Holdings

#### Options granted to Directors

At 31 December 2013, the beneficial interests of each Director of the Company in options over the unissued share capital of the Company are:

Specified Directors	Held at 1 January 2013 Number	Granted during the year Number	Lapsed during the year Number	Cancelled during the year Number	Held at 31 December 2013 Number	Exercise price A\$	Expiry date
Stephen Robinson <sup>(1)</sup>	-	-	-	-	-		
Julian Ford	2,500,000	-	-	-	2,500,000	0.35	26/10/2014
	2,500,000	-	-	-	2,500,000	0.50	26/10/2014
	2,000,000	-	-	-	2,000,000	0.25	14/06/2017
	2,500,000	-	-	(2,500,000)	-	1.00	01/06/2016
	<b>9,500,000</b>	-	-	<b>(2,500,000)</b>	<b>7,000,000</b>		
Adi Sjoekri	500,000	-	-	-	500,000	0.25	26/10/2014
	1,000,000	-	-	-	1,000,000	0.25	14/06/2017
	<b>1,500,000</b>	-	-	-	<b>1,500,000</b>		
Jocelyn Waller	2,500,000	-	-	-	2,500,000	0.20	26/10/2014
	500,000	-	-	-	500,000	0.25	26/10/2014
	<b>3,000,000</b>	-	-	-	<b>3,000,000</b>		
Gavin Caudle <sup>(2)</sup>	-	-	-	-	-		
Warwick Morris <sup>(3)</sup>	500,000	-	(500,000)	-	-	0.25	26/10/2014
	2,000,000	-	(2,000,000)	-	-	0.35	26/10/2014
	<b>2,500,000</b>	-	<b>(2,500,000)</b>	-	-		
Peter Nightingale <sup>(4)</sup>	400,000	-	-	-	400,000	0.35	26/10/2014
	<b>400,000</b>	-	-	-	<b>400,000</b>		
Michael Price <sup>(5)</sup>	750,000	-	-	-	750,000	0.20	26/10/2014
	250,000	-	-	-	250,000	0.25	26/10/2014
	<b>1,000,000</b>	-	-	-	<b>1,000,000</b>		
<b>Total Options</b>	<b>17,900,000</b>	-	<b>(2,500,000)</b>	<b>(2,500,000)</b>	<b>12,900,000</b>		

(1) Mr Robinson was appointed Non-Executive Director on 8 July 2013 and Non-Executive Chairman on 23 August 2013.

(2) Mr Caudle was appointed Non-Executive Director on 26 September 2013.

(3) Mr Morris tendered his resignation as Chairman effective 23 August 2013 and ceased to be Non-Executive Director on 1 October 2013.

(4) Mr Nightingale ceased to be a Non-Executive Director on 15 August 2012. Despite his resignation, the Board resolved to consider Mr Nightingale a qualifying employee for the purpose of the share options scheme and his options will remain in force until exercised or lapsed.

(5) Mr Price ceased to be a Non-Executive Director on 30 January 2012. Despite his resignation, the Board resolved to consider Mr Price a qualifying employee for the purpose of the share options scheme and his options will remain in force until exercised or lapsed.

# SUMATRA COPPER & GOLD PLC

## DIRECTORS' REPORT

---

### *Unissued shares under option*

At the date of this report, unissued ordinary shares of the Company under option are:

<b>Exercise price<sup>(a)</sup></b>	<b>At the date of this report</b>	<b>Expiry date</b>
A\$0.20 (US\$0.17)	3,530,000	26 October 2014
A\$0.25 (US\$0.22)	3,100,000	26 October 2014
A\$0.25 (US\$0.22)	3,500,000	14 June 2017
A\$0.35 (US\$0.31)	3,050,000	26 October 2014
A\$0.50 (US\$0.44)	2,500,000	1 June 2016
	<b>15,680,000</b>	

(a) All options are exercisable in AU\$ (presented in US\$ at 31 December 2013 rate of \$0.8873)

Details of options issued by the Company are set out in the capital and reserves note to the financial report. The names of persons who currently hold options are entered in the register of options kept by the Company pursuant to the Corporations Act 2001. This register may be inspected free of charge.

The persons entitled to exercise the options do not have, by virtue of the options, the right to participate in a share issue of any other body corporate.

### *Indemnification of Officers and Auditors*

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

During or since the end of the financial year, the Company has not indemnified an officer or auditor of the Company against a liability incurred by such an officer or auditor.

### *Non-audit Services*

During the year PricewaterhouseCoopers LLP, the Company's auditors, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditors and is satisfied that the provision of those non-audit services during the year by the auditors is compatible with, and did not compromise, the auditor independence.

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditors independence as they did not involve reviewing or auditing the auditors' own work, acting management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

# SUMATRA COPPER & GOLD PLC

## DIRECTORS' REPORT

Details of the amounts paid to the auditors of the Company, PricewaterhouseCoopers LLP, and its related practices for audit and non-audit services provided during the year are set out below.

	Consolidated	
	31 December 2013 US\$	31 December 2012 US\$
<b>Statutory audit</b>		
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	84,500	79,256
Fees payable to the Company's auditors and its associates for the audit of financial statements of any subsidiary of the Company	115,000	95,099
<b>Audit of financial reports</b>	<b>199,500</b>	<b>174,355</b>
<b>Services other than statutory audit</b>		
Other services -	30,500	36,341
Other services and reviews	<b>30,500</b>	<b>36,341</b>
	<b>230,000</b>	<b>210,696</b>

### Principal Activities

The Group's principal activity is to acquire, explore, develop and, subject to economic viability, mine gold/silver and other metal deposits in Sumatra, Indonesia. The Group's principal assets are the Tembang (formerly Rawas) and Tandai projects. The Company's principal activity is that of a holding company.

### Business Review and Future Developments

A review of the business can be found in the Strategic Report.

### Results and Dividends

The Group's loss for the financial year was US\$18.9 million (2012: loss of US\$4.4 million) The Directors do not propose the payment of a dividend for the year (2012: Nil).

### Creditor Payment Policy

The Group's policy is to pay suppliers in accordance with agreed terms and this policy will continue for the year ended 31 December 2014. The Group does not follow a specific code or standard in respect of such creditors. It is usual for suppliers to be paid within 30 days of receipt of a valid invoice.

### Employee Policy

The Group is committed to promoting policies aimed at attracting high calibre employees to ensure the ongoing success of the business. The Group does not discriminate on the grounds of sex, age, marital status, creed, colour race or ethnic origin. Applications for employment by disabled persons are always considered in full, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, so far as possible, be identical to that of all other employees.

### Events since the Balance Sheet Date

On 6 March 2014 the Company announced the drawdown of the remaining US\$1.5 million of the Convertible Note facility.

### Corporate Governance

A statement on Corporate Governance will be included in the Annual Report 2013.

# SUMATRA COPPER & GOLD PLC

## DIRECTORS' REPORT

---

### Going Concern

The Group's principal asset is the Tembang Project which is expected to be significantly cash generative when it achieves commercial production. Due to the fall in metal prices in 2013 the project was suspended in December to allow additional drilling and feasibility work to be completed. In March 2014 the Company announced updated reserves for the Tembang project and expects to release the results of its feasibility study in April 2014. The Group estimates that approximately US\$ 40 million of additional funding will be needed to achieve commercial production.

The Group is in advanced negotiations to secure financing facilities to raise up to US\$ 30 million of debt. An Independent Technical Advisor has been appointed and is expecting to report by mid April 2014 allowing banking credit approval to be achieved. As also announced on 31 March 2014 a mandate letter was signed to raise the equity needed to complete full project funding which is non-binding and subject to certain conditions. The Group's major shareholders are expected to support the equity raise. The Group expects project funding to be complete and construction to recommence before the end of June 2014.

At 31 December 2013 the Group had cash of US\$ 4.1 million and, excluding convertible loans from the Group's major shareholders, negative net current liabilities of US\$ 3.5 million. Current liabilities include trade payable obligations for the purchase of construction equipment and services that have been scheduled to occur once the Tembang project financing is completed. The Group has received a letter of support from a major shareholder expressing its willingness to provide additional working capital funding up to US\$ 3 million until the end of June 2014, if necessary; in addition the Group also has authorisation to make further equity placements if necessary on short notice.

The Group's detailed cash flow forecasts, which include cash inflows from debt and the additional equity raise, show that the Group has sufficient working capital for at least a year from the date this annual report is approved.

The Directors believe there to be a reasonable prospect of the Group completing the Tembang financing and construction. However, the need to complete the debt and equity funding, and to manage the net current liability position, indicate the existence of material uncertainties which may cast significant doubt as to the Group's ability to continue as a going concern. In the event that some combination of the above events fails to occur as expected, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

### Annual General Meeting ('AGM')

This report and financial statements will be presented to shareholders for their approval at the Group's AGM. The Notice of the AGM will be distributed to shareholders with the Annual Report.

### Share Capital and Share Options

Details of changes in share capital and details of share options are given in note 22.

### Directors' Remuneration

The Remuneration Committee reviews and establishes the level of remuneration for Directors. The level of remuneration is set so as to attract the best candidates for the Board while maintaining a level commensurate with boards of similar size and type.

For details on the amount of remuneration for each Director, refer to the Key Management Personnel note to the financial statements and the Remuneration Report.

### Financial Risk Management

See note 24 for details on financial risk management.

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Financial Report and the financial statements in

# SUMATRA COPPER & GOLD PLC

## DIRECTORS' REPORT

---

accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements of the group have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Disclosure of information to auditors**

Each of the persons who are directors at the time when this report is approved, confirm that to their best of their knowledge:

- (a) there is no relevant audit information of which the Company's auditors are unaware; and
- (b) they have taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**By order of the Board**



**Julian Ford**  
**Managing Director**  
**31 March 2013**

# ***Independent auditors' report to the members of Sumatra Copper and Gold PLC***

## **Report on the group financial statements**

---

### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's affairs as at 31 December 2013 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

### **Emphasis of matter - Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's ability to continue as a going concern. In order to continue operations in the next 12 months the group needs to secure further finance for its major development project which is not currently committed. The group also needs to take steps to manage its net current liabilities position. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

### **What we have audited**

The group financial statements (the "financial statements"), which are prepared by Sumatra Copper and Gold PLC, comprise:

- consolidated statement of financial position as at 31 December 2013;
- consolidated statement of profit or loss and other comprehensive income for the year then ended;
- consolidated statement of cash flows for the year then ended;
- consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Financial Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on other matter prescribed by the Companies Act 2006**

---

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Other matters on which we are required to report by exception**

---

### **Adequacy of information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

---

### Director's remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

---

## Responsibilities for the financial statements and the audit

---

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 15 and 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

---

## Other matter

---

We have reported separately on the parent company financial statements of Sumatra Copper and Gold PLC for the year ended 31 December 2013. That report includes an emphasis of matter.



Charles Joseland (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cambridge  
31 March 2014

- (a) The maintenance and integrity of the Sumatra Copper and Gold PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# SUMATRA COPPER & GOLD PLC

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

		31 December 2013	31 December 2012 <sup>(1)</sup>
	Notes	US\$000	US\$000 Restated
<b>Continuing operations</b>			
General administrative expenses – before impairment		(4,621)	(4,158)
Provision for impairment of exploration and evaluation assets	14	(4,633)	(273)
Provision for impairment of property plant and equipment	16	(8,568)	-
General administrative expenses – after impairment		(17,822)	(4,431)
Other operating income	6	-	272
<b>Operating loss</b>		<b>(17,822)</b>	<b>(4,159)</b>
Financial income	10	117	101
Financial costs	11	(1,038)	(1,238)
<b>Net financing costs</b>		<b>(921)</b>	<b>(1,137)</b>
Realised gain on further investment by majority shareholder in associate	15	-	908
Share of (loss)/profit in associate	15	(130)	26
<b>Loss before income tax</b>	7	<b>(18,873)</b>	<b>(4,362)</b>
Income tax expense	12	-	-
<b>Loss for the year</b>		<b>(18,873)</b>	<b>(4,362)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences		(1,315)	(890)
<b>Other comprehensive loss for the year, net of tax</b>		<b>(1,315)</b>	<b>(890)</b>
<b>Total comprehensive loss for the year attributable to owners of the parent</b>		<b>(20,188)</b>	<b>(5,252)</b>
<b>LOSS PER SHARE</b>			
Basic loss per share (\$ cents per share)	13	(5.3)	(2.2)
Diluted loss per share (\$ cents per share)	13	(5.3)	(2.2)
Weighted basic average number of shares outstanding (000's)		354,813	200,622
Weighted diluted average number of shares outstanding (000's)		354,813	200,622

<sup>(1)</sup>The Group has changed its presentation currency for financial reporting to US dollars. Refer to Note 3(a) for further details.

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated financial statements set out on pages 24 to 53.

# SUMATRA COPPER & GOLD PLC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Registered Number 5777015

As at 31 December 2013

		31 December 2013	31 December 2012 <sup>(1)</sup>	1 January 2012 <sup>(1)</sup>
	Notes	US\$000	Restated US\$000	Restated US\$000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	16	40,019	182	195
Exploration and evaluation assets	14	-	25,704	20,654
Investment in equity accounted associate	15	2,681	2,811	1,776
<b>Total non-current assets</b>		<b>42,700</b>	<b>28,697</b>	<b>22,625</b>
<b>Current assets</b>				
Prepayments and other receivables	17	1,586	771	637
Loan to associate		114	114	64
Cash and cash equivalents	18	4,127	7,812	2,426
<b>Total current assets</b>		<b>5,827</b>	<b>8,697</b>	<b>3,127</b>
<b>TOTAL ASSETS</b>		<b>48,527</b>	<b>37,394</b>	<b>25,752</b>
<b>LIABILITIES &amp; EQUITY</b>				
<b>Non-current liabilities</b>				
Borrowings	20	601	-	-
<b>Total non-current liabilities</b>		<b>601</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>				
Trade and other payables	19	9,017	2,577	2,331
Borrowings	20	314	-	-
Convertible loans	21	2,500	5,356	-
<b>Total current liabilities</b>		<b>11,831</b>	<b>7,933</b>	<b>2,331</b>
<b>Total liabilities</b>		<b>12,432</b>	<b>7,933</b>	<b>2,331</b>
<b>Equity attributable to owners of the parent</b>				
Ordinary shares	22	6,800	4,401	3,304
Share premium account	22	54,676	30,554	21,838
Other reserves		1,417	2,431	1,842
Accumulated losses		(26,798)	(7,925)	(3,563)
<b>Total equity</b>		<b>36,095</b>	<b>29,461</b>	<b>23,421</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>48,527</b>	<b>37,394</b>	<b>25,752</b>

<sup>(1)</sup>The Group has changed its presentation currency for financial reporting to US dollars. Refer to Note 3(a) for further details.

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements set out on pages 24 to 53.

The financial statements on pages 19 to 53 were authorised for issue by the Board of Directors on 31 March 2013 and were signed on its behalf by:



**Julian Ford**  
Managing Director

# SUMATRA COPPER & GOLD PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Note	Attributable to owners of the Parent <sup>(2)</sup>						Total Equity US\$000
		Ordinary shares US\$000	Share premium account US\$000	Translation reserve US\$000	Share based payments reserve US\$000	Convertible loan reserve US\$000	Accumulated losses US\$000	
<b>Balance as at 1 January 2013</b> <b>Restated<sup>(1)</sup></b>		<b>4,401</b>	<b>30,554</b>	<b>(413)</b>	<b>1,829</b>	<b>1,015</b>	<b>(7,925)</b>	<b>29,461</b>
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR</b>								
Loss for the year		-	-	-	-	-	(18,873)	(18,873)
<b>Other comprehensive income/(expense)</b>								
Foreign currency translation differences		-	-	(1,315)	-	-	-	(1,315)
<b>Total other comprehensive (expense)/income</b>		-	-	(1,315)	-	-	-	(1,315)
<b>Total other comprehensive (expense)/income for the year</b>		-	-	(1,315)	-	-	(18,873)	(20,188)
<b>TRANSACTIONS WITH EQUITY HOLDERS</b>								
Share issue during the period		2,399	25,414	-	-	-	-	27,813
Share issue cost			(1,292)					(1,292)
Share option charge during the period		-	-	-	301	-	-	301
<b>Total transactions with equity holders</b>		<b>2,399</b>	<b>24,122</b>	<b>-</b>	<b>301</b>	<b>-</b>	<b>-</b>	<b>26,822</b>
<b>Balance at 31 December 2013</b>	<b>22</b>	<b>6,800</b>	<b>54,676</b>	<b>(1,728)</b>	<b>2,130</b>	<b>1,015</b>	<b>(26,798)</b>	<b>36,095</b>

<sup>(1)</sup>The Group has changed its presentation currency for financial reporting to US dollars. Refer to Note 3(a) for further details.

<sup>(2)</sup>The Group has changed its presentation of components in the statement of changes in equity. Refer to Note 3(b) for further details

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements set out on pages 24 to 53.

# SUMATRA COPPER & GOLD PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

Attributable to owners of the Parent <sup>(2)</sup>								
	Note	Share Ordinary shares US\$000	Share premium account US\$000	Translation reserve US\$000	Share based payments reserve US\$000	Convertible loan reserve US\$000	Accumulated losses US\$000	Total Equity US\$000
<b>Balance as at 1 January 2012</b> <b>Restated<sup>(1)</sup></b>		3,304	21,838	477	1,365	-	(3,563)	23,421
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR</b>								
Loss for the year		-	-	-	-	-	(4,362)	(4,362)
<b>Other comprehensive income/(expense)</b>								
Foreign currency translation		-	-	(890)	-	-	-	(890)
<b>Total other comprehensive (expense)/income</b>		-	-	(890)	-	-	(4,362)	(5,252)
<b>Total other comprehensive (expense)/income for the year</b>		-	-	(890)	-	-	(4,362)	(5,252)
<b>TRANSACTIONS WITH EQUITY HOLDERS</b>								
Share issue during the period		1,097	8,716	-	-	-	-	9,813
Convertible loan note during the period		-	-	-	-	1,015	-	1,015
Share option charge during the period		-	-	-	464	-	-	464
<b>Total transactions with equity holders</b>		1,097	8,716	-	464	1,015	-	11,292
<b>Balance at 31 December 2012</b> <b>Restated<sup>(1)</sup></b>	22	<b>4,401</b>	<b>30,554</b>	<b>(413)</b>	<b>1,829</b>	<b>1,015</b>	<b>(7,925)</b>	<b>29,461</b>

<sup>(1)</sup>The Group has changed its presentation currency for financial reporting to US dollars. Refer to Note 3(a) for further details.

<sup>(2)</sup>The Group has changed its presentation of components in the statement of changes in equity. Refer to Note 3(b) for further details.

*The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements set out on pages 24 to 53.*

# SUMATRA COPPER & GOLD PLC

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

		31 December 2013	31 December 2012 <sup>(1)</sup>
		US\$000	US\$000
	Notes		Restated
<b>Cash flows from operating activities</b>			
<b>Cash used in operations</b>	26	(3,708)	(3,499)
Interest paid		-	(1)
<b>Net cash flow used in operating activities</b>		<b>(3,708)</b>	<b>(3,500)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(17,282)	(73)
Payments for exploration and evaluation	14	(6,681)	(5,963)
Loan to associate		-	(46)
Interest received	10	117	101
<b>Net cash flow used in investing activities</b>		<b>(23,846)</b>	<b>(5,981)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	22	27,813	9,644
Share issue costs	22	(1,292)	-
Repayment of convertible notes	21	(5,117)	-
Proceeds from convertible notes	21	2,500	5,145
Proceeds from borrowings	20	1,107	-
Repayment of borrowings	20	(193)	-
Interest paid		(553)	-
<b>Net cash inflow from financing activities</b>		<b>24,265</b>	<b>14,789</b>
(Decrease)/increase in cash and cash equivalents		(3,289)	5,308
Cash and cash equivalents at beginning of year		7,812	2,426
Foreign exchange loss on cash and cash equivalents		(396)	78
<b>Cash and cash equivalents at end of year</b>	18	<b>4,127</b>	<b>7,812</b>

<sup>(1)</sup>The Group has changed its presentation currency for financial reporting to US dollars. Refer to Note 3(a) for further details.

The consolidated statement of flows is to be read in conjunction with the notes to the consolidated financial statements set out on pages 24 to 53.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

---

### 1 GENERAL INFORMATION

The registered number of Sumatra Copper & Gold plc (the 'Company') is 5777015. The Company was incorporated in England on 11 April 2006 in the form of a company limited by shares and was later changed to a public limited company. It is domiciled in the United Kingdom. The Company's shares are traded in the form of CHESS Depository Interests on the Australian Stock Exchange (ASX). The Company's registered address is 39 Parkside, Cambridge CB1 1PN United Kingdom.

The consolidated financial statements of the Company for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group"). The Company acts as the parent company of the Group. The Group is a gold and silver emerging producer with a suite of highly prospective tenements in the Indonesian island of Sumatra.

### 2 BASIS OF PREPARATION

#### (a) Statement of compliance

The consolidated financial statements of Sumatra Copper and Gold plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IRFS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS

The financial statements were approved by the Board of Directors on 31 March 2014.

#### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- convertible notes are measured at fair value; and
- property, plant and equipment as it has been subject to impairment using fair value less cost to sell (FCVLCS) methodology.

The methods used to measure fair values are discussed further in note 4.

#### (c) Functional and presentation currency

The consolidated financial report is presented in US dollars, which is the Group's presentation currency (refer note 3(a) for change in presentation currency). The functional currency of the Company and the Company's subsidiary in which the Group holds the Tembang assets (PT Dwinad Nusa Sejahtera) is US dollars, and the functional currency of the Company's other foreign subsidiaries is Indonesian rupiah. The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates.

#### (d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 15 – Investment in equity accounted associate - carrying value of investment (BUG)

Note 16 – Provision for impairment of property, plant and equipment

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

---

### *Impairment of Property, Plant and Equipment*

The Company identified impairment indicators such as declining gold prices, a significant decline in the market value of entities producing the same commodity and the Company's market capitalisation being lower than the value of the long term assets. During the year ended 31 December 2013, due to a number of factors including current market consensus on long-term gold along with reduced long term projected cash flows resulting from drilling campaigns conducted during the year on Tembang, the Company has recognised an impairment charge of US\$8.6 million on its property, plant and equipment for the year ended 31 December 2013 (refer note 16).

### **(e) Going Concern**

The Group's principal asset is the Tembang Project which is expected to be significantly cash generative when it achieves commercial production. Due to the fall in metal prices in 2013 the project was suspended in December to allow additional drilling and feasibility work to be completed. In March 2014 the Company announced updated reserves for the Tembang project and expects to release the results of its feasibility study in April 2014. The Group estimates that approximately US\$ 40 million of additional funding will be needed to achieve commercial production.

The Group is in advanced negotiations to secure financing facilities to raise up to US\$ 30 million of debt. An Independent Technical Advisor has been appointed and is expecting to report by mid April 2014 allowing banking credit approval to be achieved. As also announced on 31 March 2014 a mandate letter was signed to raise the equity needed to complete full project funding which is non-binding and subject to certain conditions. The Group's major shareholders are expected to support the equity raise. The Group expects project funding to be complete and construction to recommence before the end of June 2014.

At 31 December 2013 the Group had cash of US\$ 4.1 million and, excluding convertible loans from the Group's major shareholders, negative net current liabilities of US\$ 3.5 million. Current liabilities include trade payable obligations for the purchase of construction equipment and services that have been scheduled to occur once the Tembang project financing is completed. The Group has received a letter of support from a major shareholder expressing its willingness to provide additional working capital funding up to US\$3 million until the end of June 2014, if necessary; in addition the Group also has authorisation to make further equity placements if necessary on short notice.

The Group's detailed cash flow forecasts, which include cash inflows from debt and the additional equity raise, show that the Group has sufficient working capital for at least a year from the date this annual report is approved.

The Directors believe there to be a reasonable prospect of the Group completing the Tembang financing and construction. However, the need to complete the debt and equity funding, and to manage the net current liability position, indicate the existence of material uncertainties which may cast significant doubt as to the Group's ability to continue as a going concern. In the event that some combination of the above events fails to occur as expected, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

---

### 3 CHANGE IN ACCOUNTING POLICY

#### (a) Change in presentation currency

As the Group has progressed in to the development and construction phase of the Tembang project major cash outflows are now denominated in US Dollars. Future revenue from the Tembang project will be denominated in US Dollars, and it is anticipated that future debt and capital raisings will be denominated in US Dollars. On this basis, the parent entity and PT Dwinad Nusa Sejahtera have changed their functional currency to US Dollars, and the Group and the parent entity have changed their presentation currency from Pounds Sterling to US Dollars, effective 1 January 2013. Financial information for prior periods has been restated from Pounds Sterling to US Dollars in accordance with IAS 21. Assets and liabilities were translated into US Dollars using the closing rate at the 2012 reporting date. Income, expenses and cashflows recognised in the period were translated at an average US Dollar exchange rate for the period. Resulting exchange differences were reflected as currency translation adjustments and included in the cumulative currency translation reserve.

In order to derive US\$ equivalent for the consolidated financial statements, the Group has accounted for this change in presentation currency using the following exchange rates:

- Income and expenses for the 12 months ended 31 December 2012 – rate £1 = US\$1.58513, approximating actual exchange rates for the date of the transactions;
- Balance sheet as at 31 December 2012 – rate £1 = US\$1.61680, being the exchange rate of 31 December 2012;
- Balance sheet as at 31 December 2011 – rate £1 = US\$1.54560, being the exchange rate of 31 December 2011;
- Equity and reserves (except foreign currency translation reserve) have been restated using historical rates, approximating the date of the transactions with rates in the range of £1 = US\$1.5471 to US\$1.6270, with the translation differences recorded in the foreign currency translation reserve.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

The consolidated statements of profit or loss and other comprehensive income and financial position in Pounds Sterling and US Dollars are stated below:

<b>Consolidated statement of profit or loss and other comprehensive income</b>			
		31 December 2012	31 December 2012
	Notes	£'000	Restated US\$000
<b>Continuing operations</b>			
General administrative expenses – before impairment		(2,623)	(4,158)
Provision for impairment of exploration and evaluation assets	14	(172)	(273)
General administrative expenses – after impairment		(2,795)	(4,431)
Other operating income	6	171	272
<b>Operating loss</b>		<b>(2,624)</b>	<b>(4,159)</b>
Financial income	10	64	101
Financial costs	11	(781)	(1,238)
<b>Net financing costs</b>		<b>(717)</b>	<b>(1,137)</b>
Realised gain on further investment by majority shareholder in associate	15	573	908
Share of profit in associate	15	16	26
<b>Loss before income tax</b>	7	<b>(2,752)</b>	<b>(4,362)</b>
Income tax	12	-	-
<b>Loss for the year</b>		<b>(2,752)</b>	<b>(4,362)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences		(1,184)	(890)
<b>Other comprehensive loss for the year, net of tax</b>		<b>(1,184)</b>	<b>(890)</b>
<b>Total comprehensive loss for the year attributable to owners of the parent</b>		<b>(3,936)</b>	<b>(5,252)</b>
<b>LOSS PER SHARE</b>			
Basic loss per share (pence/cents per share)	13	(1.4)	(2.2)
Diluted loss per share (pence/cents per share)	13	(1.4)	(2.2)
Weighted basic average number of shares outstanding (000's)		200.622	200.622
Weighted diluted average number of shares outstanding		200,622	200,622

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

Consolidated statement of financial position			
		31 December 2012	31 December 2012
	Notes	£'000	Restated US\$000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	113	182
Exploration and evaluation assets	14	15,898	25,704
Investment in equity accounted associate	15	1,739	2,811
<b>Total non-current assets</b>		<b>17,750</b>	<b>28,697</b>
Prepayments and other receivables	17	477	771
Loan to associate		70	114
Cash and cash equivalents	18	4,832	7,812
<b>Total current assets</b>		<b>5,379</b>	<b>8,697</b>
<b>TOTAL ASSETS</b>		<b>23,129</b>	<b>37,394</b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	19	1,594	2,577
Convertible loans	21	3,313	5,356
<b>Total liabilities</b>		<b>4,907</b>	<b>7,933</b>
<b>Equity attributable to owners of the parent</b>			
Ordinary shares	22	2,586	4,401
Share premium account	22	18,801	30,554
Other reserves		1,429	2,431
Accumulated losses		(4,594)	(7,925)
<b>Total equity</b>		<b>18,222</b>	<b>29,461</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>23,129</b>	<b>37,394</b>

### (b) Change in presentation of components in the consolidated statement of changes in equity

During 2013, the Group changed its presentation of other reserves and accumulated losses in the statement of changes in equity as follows:

During the periods prior to 1 January 2013, other reserves included foreign currency translation reserve and equity components of convertible loans. On 1 January 2013, the Group has decided to split these components into two separate reserves. This reclassification has been prepared retrospectively.

During the periods prior to 1 January 2013, accumulated losses included share-based payments reserve and retained losses. On 1 January 2013, the Group has decided to split the share-based payment reserve from the accumulated loss into one distinct component. This reclassification has been prepared retrospectively.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

---

### 4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements and have been applied consistently by the Group with the exception of those disclosed in notes 3(a) and 3(b).

#### (a) Basis of consolidation

The Group consolidated financial statements include the financial statements of Sumatra Copper & Gold plc and each of its subsidiary undertakings.

##### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

##### (ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### (b) Foreign currency translation

##### (i) Functional and presentation currency

Items included in the financial statements of each group's entities are measured using the currency of the primary economic environment in which the entity operates (Refer note 3(a)).

##### (ii) Foreign currency transactions

Transactions denominated in foreign currencies are initially recorded in the functional currency rate ruling at the date of the underlying transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All exchange differences are recognised in the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

##### (iii) Net investment in foreign operations

Exchange differences arising from the transaction of the net investment in foreign operations are disclosed within the translation reserve and recognised in other comprehensive income and expense.

##### (iv) Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at the exchange rates that are prevailing at the balance sheet date; and
- income and expenses are translated at the average exchange rate for the period.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

---

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in other comprehensive income. These differences are subsequently reclassified to profit or loss within the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

### (c) Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment in value. Depreciation is calculated on a straight line basis over the following expected useful life of the assets. Computer hardware is depreciated at a rate of between 25% and 33.3% per annum, computer software, furniture and fixtures, machinery and equipment, exploration equipment, communication equipment and vehicles at a rate of 25% per annum.

Once the technical feasibility and commercial viability of the extraction of mineral resources in a particular area of interest become demonstrable, the exploration and evaluation assets attributable to that area of interest are reclassified as development assets within property, plant and equipment. All development costs subsequently incurred within that area of interest are capitalised and carried at cost and starts depreciating only when the asset is brought to use. The Group performs impairment testing when facts and circumstances suggest that the carrying amount has been impaired. If it is determined that the asset has been impaired it is immediately written off in the statement of profit or loss and other comprehensive income (refer note 16).

### (d) Impairment

#### (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment charge in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment charge in respect of an available-for-sale financial asset is calculated by reference to its fair value less cost to sell. Fair value less cost to sell is determined as a present value of the estimated real future cash flows expected to arise from the continued use of the asset using assumptions that an independent market participant may consider. These cashflows are discounted using a real after tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash-generating unit.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment charges are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income and expense is transferred to profit or loss.

An impairment charge is reversed if the reversal can be related objectively to an event occurring after the impairment charge was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income and expense.

#### (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. Fair value less cost to sell is determined as a present value of the estimated real future cash flows expected to arise

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

---

from the continued use of the asset using assumptions that an independent market participant may consider. These cashflows are discounted using a real after tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

An impairment charge is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment charges are recognised in profit or loss. Impairment charges recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment charges recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment charge is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment charge had been recognised.

### **(e) Exploration and evaluation assets**

Exploration and evaluation expenditure related to an area of interest are written off as incurred except when they are carried forward as an asset in the balance sheet where the rights of tenure of an area are current and it is believed that the costs will be recouped through successful development and exploitation of the area of interest, or alternatively by its sale.

Once the technical feasibility and commercial viability of the extraction of mineral resources in a particular area of interest become demonstrable, the exploration and evaluation assets attributable to that area of interest are reclassified as property, plant and equipment.

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. General and administrative costs are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest. Capitalised exploration and evaluation costs are written off where the above conditions are no longer satisfied and in particular when it has been determined that a commercial discovery has not been made.

The Group performs impairment testing when facts and circumstances suggest that the carrying amount has been impaired. If it is determined that the asset has been impaired it is immediately written off in the statement of comprehensive income. This is consistent with the Successful Efforts method of accounting.

### **(f) Investment in associates**

The Group recognises its interest in the entity's assets and liabilities using the equity method, the interest in the associate is carried in the balance sheet at costs plus post-acquisition changes in the Group's share of its net assets less distributions received less any impairment in the value of the investment.

The group's share of post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

---

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

### **(g) Financial instruments**

#### *(i) Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. For instruments not valued at fair value any directly attributable transaction costs will go through profit or loss, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire, are discharged or cancelled.

Accounting for finance income and expense is discussed in note 4(o).

### **(h) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Bank overdrafts are shown within short-term borrowings in the current liabilities on the balance sheet

### **(i) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

### **(j) Convertible loans**

A convertible loan that can be converted to share capital at the option of the holder and the number of shares to be issued does not vary with changes in their fair value is classified as compound financial instruments.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

---

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured.

Where the conversion option is such that the option will not be settled by the Company exchanging a fixed number of its own equity instruments for a fixed amount of cash, the convertible loan does not meet the definition of a compound financial instrument. In such cases, the convertible loan is a hybrid financial instrument and the option to convert is an embedded derivative. Attached options (options entered into in consideration for entering into the host contract) on similar terms are also embedded derivatives. Provided certain criteria are met, the Company designates such hybrid contracts as financial liabilities and accounts for them at fair value through the profit and loss account.

### **(k) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### Rehabilitation

Rehabilitation includes mine closure and restoration costs which include the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas specific to the site. Provisions are recognised at the time that the environmental disturbance occurs.

The provision is the best estimate of the present value of the future cash flows required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the financial year.

The amount of the provision for future rehabilitation costs is capitalised as an asset and recognised in property, plant and equipment and is depreciated over the useful life of the mineral resource. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

### **(l) Employee benefits**

#### *(i) Share based payment transactions*

The Group issues equity-settled share-based payments to its Employees and to selected employees. In accordance with IFRS 2, 'Share-based Payments', equity-settled share-based payments are measured at fair value at the date of grant. Fair value is normally measured by use of a Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

---

(ii) *Wages, salaries and annual leave*

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date, which represent present obligations resulting from employees' services provided to the reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the reporting date including related on-costs, such as pension and superannuation contributions, social security, workers compensation and health insurance, as well as payroll tax.

(iii) *Short-term employee benefits*

Short term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash incentives if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iv) *Termination benefits*

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than twelve months after the reporting date, then they are discounted to their present value.

The group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

The Group has no post-retirement benefits or significant other benefits requiring accrual.

**(m) Other operating income**

Receipts from the income of options to third parties to acquire stakes in subsidiary undertakings are recognised in the statement of comprehensive income once all the Group's obligations in respect of the option have been met. Other operating income representing the management fee received in relation to the group's associate are recognised when the services have been performed.

**(n) Revenue recognition**

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Interest income is recognised as the interest accrues using the effective interest method.

**(o) Finance income and expense**

Finance income comprises interest income on funds invested. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Finance expenses comprise discounting of rehabilitation costs and interest expenses relating to borrowings.

**(p) Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

---

*(i) Current tax*

The current income tax charge is calculated in accordance with taxation regulations in each jurisdiction that have been or are subsequently enacted by the reporting date. Current tax is based on the taxable income and tax allowable expenses reported by the Group. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

*(ii) Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets are only recognised when there is sufficient probability of future taxable profits.

**(q) Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(r) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

**(s) Comparatives**

Where applicable, comparatives have been adjusted to present them on the same basis as the current period figures.

**(t) Changes in accounting policy and disclosures**

*(i) New and amended standards adopted by the group*

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that would be expected to have a material impact on the group.

*(ii) New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have been applied in preparing these consolidated financial statements. None has had a significant effect on the consolidated financial statements of the group:

- IAS 1 Amendment, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

---

definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely explained in IFRSs does not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015, subject to endorsement by the EU. The group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.
- IFRS 10, 'Consolidated financial statements', the new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition of control focuses on the need to have power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. Management conducted a review of the non-wholly owned entities and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of the subsidiaries.
- IFRS 12, 'Disclosures of interests in other entities', this disclosure standard addresses the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). Management conducted a review of the non-wholly owned entities and determined that the adoption of IFRS 12 did not result in any change or any disclosures.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

### 5 SEGMENTAL INFORMATION

*IFRS 8 Operating Segments* requires a management approach under which segment information is presented on the same basis as that provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. For the Group, internal reporting is based on the Group's two geographical markets: Australia and Indonesia. Hence segment information is reported in the same manner. The Group operates in one principal area of activity, that of exploration and development of gold tenements.

Revenue, loss before tax and net assets are all within one activity, that of gold exploration and development.

Segment information on a geographical basis is set out below. Group revenue for the year to 31 December 2013 was US\$ nil (2012: US\$ nil). Accordingly no segment revenue has been provided.

31 December 2013	Australia US\$000	Indonesia US\$000	Consolidated US\$000
Operating loss	(5,640)	(12,182)	(17,822)
Net financing costs	(665)	(256)	(921)
Share of loss in associate	-	(130)	(130)
<b>Loss before tax</b>	<b>(6,305)</b>	<b>(12,568)</b>	<b>(18,873)</b>
<b>Segment assets</b>	<b>5,860</b>	<b>42,667</b>	<b>48,527</b>
<b>Segment liabilities</b>	<b>3,043</b>	<b>9,389</b>	<b>12,432</b>

31 December 2012	Australia US\$000	Indonesia US\$000	Consolidated US\$000
Operating loss	(3,881)	(278)	(4,159)
Gain on investment in associate	-	908	908
Share of profit in associate	-	26	26
Net financing costs	(1,329)	192	(1,137)
<b>Loss before tax</b>	<b>(5,210)</b>	<b>848</b>	<b>(4,362)</b>
<b>Segment assets</b>	<b>7,670</b>	<b>29,724</b>	<b>37,394</b>
<b>Segment liabilities</b>	<b>5,623</b>	<b>2,310</b>	<b>7,933</b>

### 6 OTHER OPERATING INCOME

	31 December 2013 US\$000	31 December 2012 US\$000
Management fee	-	272
	-	272

The management fee relates to amounts received by the group from PT Bengkulu Utara Gold, in which the Group holds a 30% interest, for the management of the Tandai Project.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

### 7 LOSS BEFORE INCOME TAX

	31 December 2013 US\$000	31 December 2012 US\$000
This has been arrived at after charging the following:		
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	85	79
Fees payable to the Company's auditors and its associates for the audit of financial statements of any subsidiary of the Company	115	95
Fees payable to the Company's auditors and their associates for other advisory services and reviews	30	36
Directors' remuneration	731	861
Foreign exchange losses	664	67
Other payroll and related expenses	1,038	824
Share option costs	301	465
Legal and professional fees	288	103
Depreciation	58	75
	<b>3,310</b>	<b>2,605</b>

### 8 DIRECTORS' EMOLUMENTS AND INTERESTS

The Directors' remuneration for the years ended 31 December 2013 and 31 December 2012 was as follows:

	31 December 2013 US\$000	31 December 2012 US\$000
Stephen Robinson <sup>(1)</sup>	43	-
Julian Ford	349	402
Adi Sjoekri	213	272
Jocelyn Waller	44	45
Gavin Caudle <sup>(2)</sup>	19	-
Warwick Morris <sup>(3)</sup>	63	81
Peter Nightingale <sup>(4)</sup>	-	58
Michael Price <sup>(5)</sup>	-	3
	<b>731</b>	<b>861</b>

(1) Mr Robinson was appointed Non-Executive Director on 8 July 2013 and Non-Executive Chairman on 23 August 2013

(2) Mr Caudle was appointed Non-Executive Director on 26 September 2013.

(3) Mr Morris tendered his resignation as Chairman effective 23 August 2013 and ceased to be Non-Executive Director on 1 October 2013

(4) Mr Nightingale ceased to be a Non-Executive Director on 15 August 2012.

(5) Mr Price ceased to be a Non-Executive Director on 30 January 2012.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

The movement in share option scheme held by Directors was as follows:

Specified Directors	Held at 1 January 2013 Number	Granted during the year Number	Lapsed during the year Number	Cancelled during the year Number	Held at 31 December 2013 Number	Exercise price A\$	Expiry date
Stephen Robinson <sup>(1)</sup>	-	-	-	-	-		
Julian Ford	2,500,000	-	-	-	2,500,000	0.35	26/10/2014
	2,500,000	-	-	-	2,500,000	0.50	26/10/2014
	2,000,000	-	-	-	2,000,000	0.25	14/06/2017
	2,500,000	-	-	(2,500,000)	-	1.00	01/06/2016
	<b>9,500,000</b>	-	-	<b>(2,500,000)</b>	<b>7,000,000</b>		
Adi Sjoekri	500,000	-	-	-	500,000	0.25	26/10/2014
	1,000,000	-	-	-	1,000,000	0.25	14/06/2017
	<b>1,500,000</b>	-	-	-	<b>1,500,000</b>		
Jocelyn Waller	2,500,000	-	-	-	2,500,000	0.20	26/10/2014
	500,000	-	-	-	500,000	0.25	26/10/2014
	<b>3,000,000</b>	-	-	-	<b>3,000,000</b>		
Gavin Caudle <sup>(2)</sup>	-	-	-	-	-		
Warwick Morris <sup>(3)</sup>	500,000	-	(500,000)	-	-	0.25	26/10/2014
	2,000,000	-	(2,000,000)	-	-	0.35	26/10/2014
	<b>2,500,000</b>	-	<b>(2,500,000)</b>	-	-		
Peter Nightingale <sup>(4)</sup>	400,000	-	-	-	400,000	0.35	26/10/2014
	<b>400,000</b>	-	-	-	<b>400,000</b>		
Michael Price <sup>(5)</sup>	750,000	-	-	-	750,000	0.20	26/10/2014
	250,000	-	-	-	250,000	0.25	26/10/2014
	<b>1,000,000</b>	-	-	-	<b>1,000,000</b>		
<b>Total Options</b>	<b>17,900,000</b>	-	<b>(2,500,000)</b>	<b>(2,500,000)</b>	<b>12,900,000</b>		

(1) Mr Robinson was appointed Non-Executive Director on 8 July 2013 and Non-Executive Chairman on 23 August 2013.

(2) Mr Caudle was appointed Non-Executive Director on 26 September 2013.

(3) Mr Morris tendered his resignation as Chairman effective 23 August 2013 and ceased to be Non-Executive Director on 1 October 2013.

(4) Mr Nightingale ceased to be a Non-Executive Director on 15 August 2012. Despite his resignation, the Board resolved to consider Mr Nightingale a qualifying employee for the purpose of the share options scheme and his options will remain in force until exercised or lapsed.

(5) Mr Price ceased to be a Non-Executive Director on 30 January 2012. Despite his resignation, the Board resolved to consider Mr Price a qualifying employee for the purpose of the share options scheme and his options will remain in force until exercised or lapsed.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

Specified Directors	Held at	Granted during the year	Lapsed during the year	Exercised during the year	Held at	Exercise price A\$	Expiry date
	1 January 2012				31 December 2012		
	Number	Number	Number	Number	Number		
Julian Ford	2,500,000	-	-	-	2,500,000	0.35	26/10/2014
	2,500,000	-	-	-	2,500,000	1.00	26/10/2014
		2,000,000	-	-	2,000,000	0.25	14/06/2017
		2,500,000	-	-	2,500,000	0.50	01/06/2016
	<b>5,000,000</b>	<b>4,500,000</b>	-	-	<b>9,500,000</b>		
Adi Sjoekri	500,000	-	-	-	500,000	0.25	26/10/2014
		1,000,000	-	-	1,000,000	0.25	14/06/2017
	<b>500,000</b>	<b>1,000,000</b>	-	-	<b>1,500,000</b>		
Jocelyn Waller	2,500,000	-	-	-	2,500,000	0.20	26/10/2014
	500,000	-	-	-	500,000	0.25	26/10/2014
	<b>3,000,000</b>	-	-	-	<b>3,000,000</b>		
Warwick Morris <sup>(1)</sup>	500,000	-	-	-	500,000	0.25	26/10/2014
	2,000,000	-	-	-	2,000,000	0.35	26/10/2014
	<b>2,500,000</b>	-	-	-	<b>2,500,000</b>		
Peter Nightingale <sup>(2)</sup>	400,000	-	-	-	400,000	0.35	26/10/2014
	<b>400,000</b>	-	-	-	<b>400,000</b>		
Michael Price <sup>(3)</sup>	750,000	-	-	-	750,000	0.20	26/10/2014
	250,000	-	-	-	250,000	0.25	26/10/2014
	<b>1,000,000</b>	-	-	-	<b>1,000,000</b>		
<b>Total Options</b>	<b>12,400,000</b>	<b>5,500,000</b>	-	-	<b>17,900,000</b>		

(1) Mr Morris tendered his resignation as Chairman effective 23 August 2013 and ceased to be Non-Executive Director on 1 October 2013.

(2) Mr Nightingale ceased to be a Non-Executive Director on 15 August 2012. Despite his resignation, the Board resolved to consider Mr Nightingale a qualifying employee for the purpose of the share options scheme and his options will remain in force until exercised or lapsed.

(3) Mr Price ceased to be a Non-Executive Director on 30 January 2012. Despite his resignation, the Board resolved to consider Mr Price a qualifying employee for the purpose of the share options scheme and his options will remain in force until exercised or lapsed.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

### 9 EMPLOYEE INFORMATION

The average monthly number of persons employed by the Group during the year was:

	31 December 2013 Number	31 December 2012 Number
<b>By Activity</b>		
Administration	8	30
Construction	44	-
Exploration and evaluation	97	109
	<b>149</b>	<b>139</b>

	31 December 2013 US\$000	31 December 2012 US\$000
Wages and Salaries	1,648	2,593
Share option compensation	301	464
Social security cost	121	140
	<b>2,070</b>	<b>3,199</b>

Key management personnel (KMP's) are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. For the year ended 31 December 2013 the key management personnel were the Directors, Chief Financial Officer (CFO) and Chief Operating Officer (COO).

Key management costs

	31 December 2013 US\$000	31 December 2012 US\$000
Wages and salaries (for the above persons)	1,064	1,251
Share option compensation charge	230	100
Social security cost	63	42
	<b>1,357</b>	<b>1,393</b>

The prior year key management costs have been updated to include the COO, who has been newly determined as KMP in 2013.

### 10 FINANCIAL INCOME

	31 December 2013 US\$000	31 December 2012 US\$000
Bank interest income	117	101
	<b>117</b>	<b>101</b>

### 11 FINANCIAL COSTS

	31 December 2013 US\$000	31 December 2012 US\$000
Foreign exchange loss	664	67
Bank interest expense	10	1
Interests on convertible loan	159	395
Accretion expense on convertible loan	205	775
	<b>1,038</b>	<b>1,238</b>

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

### 12 INCOME TAX

#### (a) Analysis of charges for the year

	31 December 2013 US\$000	31 December 2012 US\$000
<b>Current tax:</b>	-	-
UK Corporation tax on profits for the year	-	-
<b>Income tax</b>	<b>-</b>	<b>-</b>

#### (b) Factors affecting the current tax charge for the year

Reconciliation between the actual income tax expense and the product of accounting loss:

	31 December 2013 US\$000	31 December 2012 US\$000
<b>Loss before income tax:</b>	<b>(18,873)</b>	<b>(4,362)</b>
Tax calculated at domestic tax rates applicable to profits in the respective countries – UK 21% (2012: 21%)	(3,963)	(916)
Tax effect of:		
Expenses not deductible for tax purposes	871	184
Movement in temporary differences	2,773	-
Difference in Indonesian tax rate	(756)	(137)
Losses carried forward not recognised	1,075	869
<b>Income tax</b>	<b>-</b>	<b>-</b>

#### (c) Deferred tax

At 31 December 2013, the Group had potential and unrecognized deferred tax assets as follows:

	31 December 2013 US\$000	31 December 2012 US\$000
Tax effect of temporary differences because of:		
Tax losses carried forward not recognised	4,556	3,481
	<b>4,556</b>	<b>3,481</b>

Deferred tax assets in respect of losses are not recognised as there is insufficient evidence that they are recoverable. The deferred tax assets would be recoverable if the Company were to become profitable in the future.

### 13 LOSS PER SHARE

#### Basic and diluted earnings per share

The calculation of basic loss per share of US\$0.053 at 31 December 2013 (31 December 2012: US\$0.022 loss per share) was based on the loss attributable to ordinary shareholders of US\$18.9 million (31 December 2012: US\$4.3 million loss) and a weighted-average number of ordinary shares outstanding during the financial year ended 31 December 2013 of 354,812,516 (31 December 2012: 200,621,681) calculated as follows:

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

	Basic loss per share		Diluted loss per share	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Loss attributable to ordinary shareholders (US\$000)	(18,873)	(4,362)	(18,873)	(4,362)
Issued ordinary shares at start of the year	258,621,681	153,914,181	258,621,681	153,914,181
Effect of issue of shares	96,190,835	46,707,500	96,190,835	46,707,500
Weighted average number of shares	<b>354,812,516</b>	<b>200,621,681</b>	<b>354,812,516</b>	<b>200,621,681</b>
<b>Loss per share in US\$ cents per share</b>	<b>(5.3)</b>	<b>(2.2)</b>	<b>(5.3)</b>	<b>(2.2)</b>

For fully diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares. The Group's potentially dilutive securities consist of share options. As the Group is loss-making, none of the potentially dilutive securities are currently dilutive.

## 14 EXPLORATION AND EVALUATION ASSETS

	31 December 2013 US\$000	31 December 2012 US\$000
Balance at the beginning of the period	25,704	20,654
Expenditure incurred during the period	6,681	5,690
Provision for impairment of exploration and evaluation assets <sup>(a)</sup>	(4,633)	(273)
Transferred to property plant and equipment (refer note 16)	(27,752)	-
Effect of movement in foreign exchange <sup>(b)</sup>	-	(367)
<b>Balance at the period end</b>	<b>-</b>	<b>25,704</b>

### (a) Provision for impairment of exploration and evaluation assets

During the year ended 31 December 2013 the Directors wrote off the carrying value of exploration and evaluation costs totaling \$4,633 million (31 December 2012: US\$0.273 million). These costs were associated with the Company's Sontang, Jambi, Madina 1, Madina 2 and Musi Rawas projects as no further exploration work is currently planned on these properties.

### (b) Effect of movement on foreign exchange

Exchange movements relate to the translation of Indonesian Rupiah denominated balances into the Group's presentational currency. The loss has been taken to other comprehensive income.

## 15 INVESTMENT IN EQUITY ACCOUNTED ASSOCIATE

	31 December 2013 US\$000	31 December 2012 US\$000
Balance at the beginning of the period	2,811	1,776
Gain realised on further investment by majority shareholder	-	908
Share of (loss)/profit in associate	(130)	26
Effect of movement in foreign exchange	-	101
<b>Balance at the period end</b>	<b>2,681</b>	<b>2,811</b>

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

The group's share of the results of its associate, and its aggregated assets and liabilities, are as follows:

Name	Country of incorporation	Assets US\$000	Liabilities US\$000	Revenues US\$000	(Loss)/Profit US\$000	Interest held %
31 December 2013						
PT Bengkulu Utara Gold	Indonesia	2,788	107	-	(130)	30
31 December 2012						
PT Bengkulu Utara Gold	Indonesia	2,997	186	12	26	30

During the year ended 31 December 2013 no major exploration activities were undertaken in the area. It is expected to resume the activities during the end of 2014.

In March 2011 the Company completed joint venture arrangements with Newcrest Mining Limited ('Newcrest') in respect of PT Bengkulu Utara Gold ('PT BUG'), the holder of the exploration IUP covering the Tandai project. As part of this transaction a subsidiary of Newcrest subscribed US\$1.75 million for new shares in PT BUG for a 70% interest.

The US\$1.75 million subscription constituted the minimum spends commitment by Newcrest over 18 months ('Minimum Spend Period'). After the Minimum Spend Period, Newcrest may make further equity investments up to a total of US\$12 million to maintain a 70:30 ownership ratio of PT BUG. If Newcrest elects not to complete the full US\$12 million subscription over a 5 year period, Sumatra has the right to buy back Newcrest's 70% interest in PT BUG for a nominal consideration. As a result of this transaction, the Company now accounts for PT BUG as an equity accounted associate, rather than a subsidiary, and has deconsolidated the net assets of PT BUG, including the carrying value of exploration and evaluation costs for the Tandai project.

During the year ended 31 December 2012 Newcrest made an additional subscription of US\$3,023,759. As the Company is only required to invest a nominal amount to maintain its share of investment in PT BUG, a gain equivalent to 30% of the investment made by Newcrest was recorded in the statement of comprehensive income.

## 16 PROPERTY, PLANT AND EQUIPMENT

	31 December 2013 US\$000	31 December 2012 US\$000
<b>Cost</b>		
Balance at the beginning of the year	557	511
Additions	20,711	73
Transferred from exploration and evaluation assets	27,752	-
Effect of movement in foreign exchange	-	(27)
<b>Balance at the year end</b>	<b>49,020</b>	<b>557</b>
<b>Accumulated Depreciation</b>		
Balance at the beginning of the year	(375)	(316)
Depreciation charge for the year	(58)	(75)
Provision for impairment of property plant and equipment <sup>(a)</sup>	(8,568)	-
Effect of movement in foreign exchange	-	16
<b>Balance at the year end</b>	<b>(9,001)</b>	<b>(375)</b>
<b>Net Book Value</b>	<b>40,019</b>	<b>182</b>

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

Property, plant and Equipment includes: development assets, plant and equipment, fittings and fixtures and prefeasibility costs mainly associated with the Tembang project.

During the year ended 31 December 2013 the exploration and evaluation costs associated with the Group's Tembang project were reclassified as development assets following receipt of the final government approvals.

### (a) Provision for impairment of property plant and equipment

As the Group identified impairment indicators such as declining gold prices, and a significant decline in the market value of entities producing the same commodity, and the Company's market capitalisation being lower than the value of the long term assets, the Group performed an impairment test on the recoverability of its assets.

The Group is an emerging gold and silver producer focused in the Indonesian island of Sumatra currently dedicated on developing its 100%-owned Tembang Project its single asset, therefore the Group determined the Tembang project the cash generating unit (CGU) for impairment purposes. The recoverable amount of the CGU was considered based on fair value less cost to sell (FVLCS). FVLCS was determined as the present value of the estimated real future cash flows expected to arise from the Tembang project using assumptions that an independent market participant may consider. These cash flows were discounted using a real after-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

The basis for determination of the recoverable amount was:

- Gold price of US\$1,300/oz. and Silver price of US\$20/oz. – future commodity prices were based on the 2014 consensus views from market participants in the period;
- Gold and Silver production – future gold and silver production was based on the updated Group's Life of Mine Plan (LOM);
- Current (LOM) is based only on measured and indicated resources. Inferred material included in the mine plan was treated as waste.
- Operating and capital cost – these costs were based on management's best estimates at the time of the impairment testing;
- Foreign exchange rates – Indonesian Rupiah to US dollar exchange rates were based on the forward curve and consensus views; and
- Discount rate – a post-tax real discount rate of 9.0%.

Based on the above review, the Group has recognised a provision for impairment of US\$8.6 million for the year ended 31 December 2013 on property, plant and equipment.

## 17 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2013 US\$000	31 December 2012 US\$000
Prepayments and other receivables	45	263
VAT receivable	1,541	508
Balance at the year end	<b>1,586</b>	<b>771</b>

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

### 18 CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
	US\$000	US\$000
Cash at bank and on hand	4,031	7,812
Call deposits	96	-
	<b>4,127</b>	<b>7,812</b>

Of the total cash and cash equivalent held as of 31 December 2013 the highest currency value was US\$3.7 million, other currencies the company held cash in were Australian dollars, Indonesian rupiah and Pounds sterling. As of 31 December 2012, the highest currency value held was Australian dollars (US\$7.4 million), other currencies the company held cash in were US dollars, Indonesian rupiah and Pounds sterling.

### 19 TRADE AND OTHER PAYABLES

	31 December 2013	31 December 2012
	US\$000	US\$000
Trade payables	6,892	274
Other taxes and social security cost	1,238	1,211
Accruals and other payables	887	1,092
	<b>9,017</b>	<b>2,577</b>

Trade and other payables are mainly repayable in US dollars (31 December 2012: US dollars and Indonesian rupiah)

Other taxes and social security cost include indirect taxes incurred in the development phase of the Tembang project.

### 20 BORROWINGS

The Company entered into a US\$1.107 million 36 month financing facility with Atlas Copco Customer Finance AB during December 2013, to finance an underground drill rig. A payment of US\$0.193 million was made at commencement of the facility, with the remaining principal repayable in monthly equal instalments (plus interest at a fixed rate of 7.5%) commencing 31 December 2013.

### 21 CONVERTIBLE LOAN

	31 December 2013	31 December 2012
	US\$000	US\$000
Convertible loan note Provident Capital Partners <sup>(a)</sup>	2,500	-
Secured bank convertible loan Macquarie Bank Limited <sup>(b)</sup>	-	5,356
	<b>2,500</b>	<b>5,356</b>

#### (a) Convertible loan - Fair value

On 18 December 2013, the Company entered into a "Convertible Loan Facility Agreement" with Provident Capital Partners ("PCP") to provide an unsecured convertible debt facility of US\$ 4.0 million. The facility can be drawn down in two tranches; the first tranche of US\$2.5 million (draw down during the year ended 2013) and the second tranche of US\$1.5 million available to be drawn based on certain conditions precedent including satisfactory progress on the planned drill program at the Tembang Project (drawn down subsequent to year end on 6 March 2014). Interest is creditable under the facility at 9% per annum (compounded monthly on the last day of the month and accrued daily and calculated on the basis of a 360 days year), payable in cash upon repayment of the facility, with a facility fee of 3% to

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

be capitalised and repaid on maturity of the facility. There is no equity component in this convertible loan and therefore the Company has accounted for the convertible loan as a financial liability at fair value through the profit and loss account. There has been no gain or loss recognised in the year ended 31 December 2013.

### (b) Secured bank convertible loan

The Group had a convertible loan facility of A\$5.0 million from Macquarie Bank Limited which accrued interest at the BBSY rate plus 7.5%pa. The loan was repayable twelve months from drawdown (April 2012) and was secured by a fixed and floating charge over the assets of the Group and a share pledge over the parent's investment in subsidiary company PT Dwinad Nusa Sejahtera. The loan was fully repaid in cash during March 2013.

The facility includes the issue of 31,250,000 options over the CDI's of the Company, exercisable at A\$0.16, which expired on 27 March 2014.

The convertible loan facilities are presented in the statement of financial position as follows

	31 December 2013 US\$000	31 December 2012 US\$000
Face value of facility	2,500	5,248
Value of conversion rights in other reserves <sup>(1)</sup>	-	(1,015)
	<b>2,500</b>	<b>4,233</b>
<b>Liability component on initial recognition</b>		
Interest payable <sup>(2)</sup>	-	1,220
Exchange movements	-	(97)
Current liability	<b>2,500</b>	<b>5,356</b>

(1) The equity component of the Macquarie secured bank convertible loan remains in the convertible loan reserve and does not get subsequently revalued.

(2) Interest expense is calculated by applying the effective interest rate of 40.7% to the liability component. Interest payable under the loan facility was cash settled upon maturity of the Principal.

## 22 ORDINARY SHARES AND SHARE PREMIUM ACCOUNT

Movement in the share capital and premium for the year ended 31 December 2013

	Number of Shares	Ordinary shares US\$000	Share Premium account US\$000
1 Jan 2013 Opening Balance	258,621,681	4,400,549	30,553,787
22 Feb 2013 Issue of shares fully paid <sup>(a)</sup>	38,000,000	568,938	8,045,524
14 May 2013 Issue of shares fully paid <sup>(b)</sup>	6	-	1
18 June 2013 Issue of shares fully paid <sup>(c)</sup>	117,845,964	1,829,310	17,368,081
<b>31 Dec 2013 Closing Balance</b>	<b>414,467,651</b>	<b>6,798,797</b>	<b>55,967,393</b>
Less Share issue cost current period		-	(1,291,809)
<b>31 Dec 2013 Closing Balance</b>	<b>414,467,651</b>	<b>6,798,797</b>	<b>54,675,584</b>

(b) The Group issued 38,000,000 shares for cash totaling A\$8,360,000 (US\$8,614,462) at A\$0.22 per share.

(c) The Group issued 6 shares for cash totaling A\$1 (US\$1) at A\$0.20 per share.

(d) The Group issued 117,845,964 shares for cash totaling A\$20,033,814 (US\$19,197,391) at A\$0.17 per share pursuant to a 2 for 5 non-renounceable rights issue.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

### Movement in the share capital and premium for the year ended 31 December 2012

		Number of Shares	Ordinary shares US\$	Share Premium account US\$
1 Jan 2012	Opening Balance	190,621,681	3,304,157	21,837,897
9 July 2012	Issue of shares fully paid <sup>(a)</sup>	28,000,000	445,592	3,429,734
20 Dec 2012	Issue of shares fully paid <sup>(b)</sup>	40,000,000	650,800	5,286,156
<b>31 Dec 2012</b>	<b>Closing Balance</b>	<b>258,621,681</b>	<b>4,400,549</b>	<b>30,553,787</b>
	Less Share issue cost current period		-	-
<b>31 Dec 2012</b>	<b>Closing Balance</b>	<b>258,621,681</b>	<b>4,400,549</b>	<b>30,553,787</b>

(a) The Group issued 28,000,000 shares for cash totalling A\$3,780,000 (US\$3,875,326) to Provident Capital Partners Pte. Ltd. & associates. There were no amounts unpaid on the shares issued.

(b) The Group issued 40,000,000 shares, with a value of A\$5,600,000 (US\$5,936,956) to Provident Capital Partners Pte. Ltd. & associates upon exercise of the call option granted under the terms of the previous placement.

All shares issued during the year were in the form of CHESS Depository Interests.

### Share based payments

Under the Group's share option scheme, share options are granted to Directors and to selected employees. The exercise price is the greater of the nominal value of the share, or an amount specified by the Board, which if granted at or around a placing must not be less than the price issued at the time of the placing. Options are conditional on the employee completing two years' service (the vesting period). Fifty per cent of the options granted are exercisable after one year and the remainder after two years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. Options have no voting or dividend rights.

Movement in share based payments during the year

	Average exercise price per share	Options Number US\$000
As at 1 January 2012	A\$0.28	15,080,000
Granted	A\$0.35	6,000,000
Forfeited	A\$0.35	(200,000)
As at 31 December 2012	A\$0.31	<b>20,880,000</b>
Granted		-
Forfeited <sup>(a)</sup>	A\$0.33	(2,700,000)
Cancelled <sup>(b)</sup>	A\$1.00	(2,500,000)
<b>As at 31 December 2013</b>	<b>A\$0.39</b>	<b>15,680,000</b>

The employee options outstanding at 31 December 2013 have an exercise price in the range of A\$0.20 to A\$1.00 and a weighted average contractual life of 4 years.

(a) Mr Warwick Morris tendered his resignation from the Group and ceased to be a Non-Executive Director effective 1 October 2013. Under the terms and conditions of the Share Option Scheme 2,500,000 options have lapsed. Furthermore, 200,000 options were forfeited from other employees who resigned during the year.

(b) Options granted to Mr Julian Ford have been cancelled. Due to this cancellation, the remaining option value has been fully expensed. The remuneration report includes an expense of US\$83,534 relating to this cancellation.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

### Options

Movement in unissued ordinary shares of the Company under option during the year:

Exercise price <sup>(a)</sup>	Number of options at 1 January 2013	Cancelled	Forfeited	Lapsed	Number of options at 31 December 2013	Expiry date
A\$0.16 (US\$0.14)	31,250,000	-	-	-	31,250,000 <sup>(b)</sup>	27 March 2014
A\$0.20 (US\$0.17)	6,250,000	-	-	(6,250,000)	-	18 June 2013
A\$0.20 (US\$0.17)	750,661	-	-	(750,661)	-	25 August
A\$0.20 (US\$0.17)	750,661	-	-	(750,661)	-	7 September
A\$0.20 (US\$0.17)	3,530,000	-	-	-	3,530,000	26 October
A\$0.25 (US\$0.22)	3,800,000	-	(700,000)	-	3,100,000	26 October
A\$0.25 (US\$0.22)	3,500,000	-	-	-	3,500,000	14 June 2017
A\$0.35 (US\$0.31)	5,050,000	-	(2,000,000)	-	3,050,000	26 October
A\$0.50 (US\$0.44)	2,500,000	-	-	-	2,500,000	1 June 2016
A\$1.00 (US\$0.88)	2,500,000	(2,500,000)	-	-	-	1 June 2016
	<b>59,881,322</b>	<b>(2,500,000)</b>	<b>(2,700,000)</b>	<b>(7,751,322)</b>	<b>46,930,000</b>	

(a) All options are exercisable in AU\$ (presented in US\$ at 31 December 2013 rate of \$0.8873)

(b) These options issued to Macquarie Bank Limited expired subsequent to year end.

As at 31 December 2013, 46,930,000 outstanding options of the Group were exercisable.

The total charge for the year ended 31 December 2013 was US\$300,356 (2012: US\$464,629).

## 23 RELATED PARTY TRANSACTIONS

Key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. These entities may enter into transactions with the Company or its subsidiaries. The terms and conditions of such transactions are no more favourable than those available, or which might reasonably be expected to be available, to non-director related entities dealing at arm's length with the Company.

During the year ended 31 December 2013, the Company sub-leased office space for its Perth office from Karen Ford, wife of Managing Director Julian Ford. The charge covered rental accommodation, utilities and office expenses. Fees paid to Karen Ford, which were in the ordinary course of business and on normal terms and conditions, amounted to US\$24,381 (31 December 2012: US\$93,821). As at 31 December 2013 there were no outstanding amounts to be paid included within trade and other payables (31 December 2012: US\$12,106).

During the year ended 31 December 2013 the Company was invoiced US\$11,672 (31 December 2012: Nil) by Hunter Corporate, for company secretary services. Hunter Corporate is a company associated with Susan Hunter who is the Joint Company Secretary. At 31 December 2013 there was no amount outstanding (31 December 2012: Nil).

During the year ended 31 December 2013 the Company was invoiced US\$8,690 (31 December 2012: US\$9,080) by Barr Ellison LLP Solicitors, for company secretary services and legal advice in the United Kingdom. Barr Ellison LLP Solicitors is a company associated with Allison Barr who is the Joint Company Secretary. As at 31 December 2013 there was an amount outstanding of US\$2,824 to be paid (31 December 2012: Nil).

During the year ended 31 December 2013 the Company was invoiced Nil (31 December 2012: US\$199,582) by Mining Services Trust, for administrative services, including rental accommodation, administrative staff, services and supplies, to the Company. Services Trust was a director related entity associated with Peter Nightingale who resigned and ceased to be Non-executive Director of the Company on 15 August 2012. At 31 December 2012 there was no amount outstanding.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For the year ended 31 December 2013

---

During the year ended 31 December 2013 the Group received Nil (31 December 2012: US\$297,819) from PT Bengkulu Utara Gold in which the Group has a 30% interest, in respect of a management fee. At 31 December 2013 an amount of US\$113,841 (31 December 2012: US\$182,000) was due to the Group.

Key management personnel (KMP's) are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. For the year ended 31 December 2013 the KMP's were the Directors, Chief Financial Officer and Chief Operating Officer. (31 December 2012: the KMP's were the Directors only.). KMP's remuneration is disclosed in note 9.

## 24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposure to credit risk, liquidity risk and market risk arising from their financial instruments.

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to meet all of its financial commitments and maintain the capacity to fund the operation and exploration activities. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

Market, liquidity and credit risks (including foreign exchange, commodity price, interest rate and counterparty risk) arise in the normal course of business. These risks are managed under Board approved treasury processes and transactions.

The principal financial instruments as at the reporting date include receivables, payables, convertible loan notes, loan and cash.

This note presents information about exposures to the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

The Group did not enter into derivative transactions to manage the interest rate and currency risks arising from the Company's operations and its sources of finance. During the years ended 31 December 2013 and 31 December 2012 the Group did not undertake trading in financial instruments nominated as hedges.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and credit risk. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

### (a) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. It is the Group's policy to ensure and maintain a reputable credit profile by adhering to credit terms and ensuring a strong ongoing cash balance.

At 31 December 2013 the Group had cash of US\$ 4.1 million and, excluding convertible loans from the Group's major shareholders, negative net current liabilities of US\$ 3.5 million. Current liabilities include trade payable obligations for the purchase of construction equipment and services that have been scheduled to occur once the Tembang project financing is completed. The Group has received a letter of support from a major shareholder expressing its willingness to provide additional working capital funding up to US\$ 3 million until the end of June 2014, if necessary.

The Group's detailed cash flow forecasts, which include cash inflows from the uncommitted \$30m of debt and the additional equity raise, show that the Group has sufficient working capital for at least a year from the date this annual report is approved.

The Directors believe there to be a reasonable prospect of the Group completing the Tembang financing and construction. However, the need to complete the debt and equity funding, and to manage the net current liability

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

position, indicate the existence of material uncertainties which may cast significant doubt as to the Group's ability to continue as a going concern. In the event that some combination of the above events fails to occur as expected, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

### (b) Foreign currency risk

In common with many other businesses in Australia and Indonesia, foreign currencies play a significant role in the underlying economics of the business transactions of the Group.

The following significant exchange rates (US\$1.00) applied during the year:

	Average rate		Year-end date spot rate	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
IDR\$	10,453	9,329	12,195	9,612
A\$	0.9682	0.9810	0.8873	1.0054
GBP\$	1.5643	1.5851	1.6153	1.6168

At 31 December 2013, if the US dollar had weakened/strengthened by 10% against the IDR/other currencies with all other variables held constant, the post-tax loss for the year would have been US\$1.874 million (2012: US\$0.431 million) higher/lower, mainly as a result of foreign exchange losses/gains on translation of foreign currency denominated cash, trade payables, accruals and other liabilities. The directors believe that in the current economic environment a 10% variance is reasonable based on current trends.

### (c) Credit risk

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, and certain receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. All deposits are held with financial institutions that have a Standard & Poor's credit rating of AA- or better.

### (d) Capital risk management

The Group regards its share capital and reserves as its equity and uses its monthly management accounts to monitor the level of cash available to plan for future fundraisings. Additionally, the Group has prepared detailed cash flow forecasts, which are compared on a monthly basis to actual expenditures. Under the terms of the loan agreement held with Macquarie Bank Limited until March 2013 the Group maintained a current ratio of at least 1.25:1. This covenant was met at all times during the term of the loan.

The Board's policy in managing capital is to ensure that the Group continues as a going concern, and that its capital base is sufficiently strong so as to maintain investor, creditor and market confidence and to sustain future development of the business. The objective is to maintain a level of debt finance, determined according to prevailing commercial conditions, that provides a balance between this policy and optimising shareholder returns through the effect of gearing.

### (e) Fair value estimation

The only material assets and liabilities held at their fair value in the financial statements are the convertible loan facility, which is held at fair value through profit and loss (see Note 21) and the property, plant and equipment balance, which has been subject to an impairment charge using the fair value less cost to sell method (See Note 16). Both these valuation techniques are based on unobservable inputs, making them level 3 fair value measurements.

There is no material difference between the carrying value and fair value of financial instruments at year end (2012: nil). There were no financial instruments being held for trading or available for sale at year end (2012: nil).

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

### 25 ULTIMATE CONTROLLING PARTY

The Group has no ultimate controlling party.

### 26 CASH USED IN OPERATIONS

	31 December 2013 US\$000	31 December 2012 US\$000
<b>Cash flows from operating activities</b>		
Loss before tax	(18,873)	(4,362)
Adjustments for:		
Depreciation	58	75
Gain arising on increase in net assets of associate	-	(908)
Share of loss/(profit) in associate	130	(26)
Share options charge	301	465
Provision for impairment of exploration and evaluation assets	4,633	273
Provision for impairment of property plant and equipment	8,568	-
Financial income	(117)	(101)
Financial cost	1,038	1,238
<b>Operating loss before working capital changes</b>	<b>(4,262)</b>	<b>(3,346)</b>
Increase in prepayments and other receivables	(815)	(105)
Increase/(decrease) in trade payables, accruals and other liabilities	1,369	(49)
<b>Cash used in operations</b>	<b>(3,708)</b>	<b>(3,500)</b>

### 27 CONSOLIDATED ENTITIES

Name of entity	Country of incorporation	Class of shares	Ownership interest	
			31 December 2013 %	31 December 2012 %
<b>Parent entity</b>				
Sumatra Copper and Gold Plc	United Kingdom	Chess Depository Interest (CDIs)		
<b>Subsidiaries</b>				
PT Dwinad Nusa Sejahtera <sup>(a)</sup>	Indonesia	Ordinary	99.95	99.95
PT Nusa Palapa Minerals <sup>(a)</sup>	Indonesia	Ordinary	99.95	99.95
PT Bengkulu Utara Gold <sup>(b)</sup>	Indonesia	Ordinary	27.75	27.75
PT Musi Rawas Gold <sup>(a)</sup>	Indonesia	Ordinary	99.95	99.95
PT Jambi Gold <sup>(a)</sup>	Indonesia	Ordinary	99.95	99.95
PT Lebong Gold <sup>(a)</sup>	Indonesia	Ordinary	99.95	99.95
PT Kotanopan Mining <sup>(c)</sup>	Indonesia	Ordinary	98.00	98.00
PT Mandaling Mining <sup>(c)</sup>	Indonesia	Ordinary	98.00	98.00

(a) Mr Adi Sjoekri, Director of the Group holds the additional 0.05% interest in this entity.

(b) PT Nusa Palapa Minerals holds an additional 2.25% interest in this entity.

(c) Mr Adi Sjoekri, Director of the Group holds 98% interest in this entity.

### 28 PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 31 December 2013 the parent entity of the Group was Sumatra Copper & Gold Plc. See financial statement for the parent entity on from pages 54 to 73.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

---

### **29 POST BALANCE SHEET EVENTS**

On 6 March 2014 the Company announced the drawdown of the remaining US\$1.5 million of the Convertible Note facility.

### **30 COMMITMENTS & CONTINGENCY**

#### *Contingency*

The Group will incur rehabilitation costs when mining operations are completed. At the current stage of development, the amount requiring rehabilitation is minimal, therefore, at the date of this report no provision has been recognised.



**SUMATRA COPPER & GOLD PLC**  
**Parent Entity Financial Statements**  
**for the year ended 31 December 2013**

**Registered Number 5777015**

**ABN 14 136 694 267**

# ***Independent auditors' report to the members of Sumatra Copper and Gold PLC***

## **Report on the parent company financial statements**

---

### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

---

### **Emphasis of matter - Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's and therefore the company's ability to continue as a going concern. In order to continue operations in the next 12 months the group needs to secure further finance for its major development project which is not currently committed. The group also needs to take steps to manage its net current liabilities position. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and therefore the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

---

### **What we have audited**

The parent company financial statements (the "financial statements"), which are prepared by Sumatra Copper and Gold PLC, comprise:

- the parent company balance sheet as at 31 December 2013;
- the parent company profit and loss account and statement of total recognised gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

---

### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Financial Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

---

## Opinion on other matter prescribed by the Companies Act 2006

---

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

---

## Other matters on which we are required to report by exception

---

### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

---

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

---

## Responsibilities for the financial statements and the audit

---

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 15 and 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

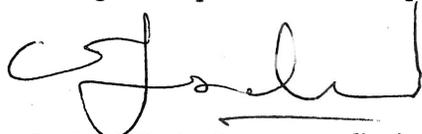
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

---

## Other matter

---

We have reported separately on the group financial statements of Sumatra Copper and Gold PLC for the year ended 31 December 2013. That report includes an emphasis of matter.



Charles Joseland (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cambridge  
31 March 2014

- (a) The maintenance and integrity of the Sumatra Copper and Gold PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# SUMATRA COPPER & GOLD PLC

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Year ended 31 December 2013 US\$000	Year ended 31 December 2012 <sup>(1)</sup> Restated US\$000
Administrative expenses		(5,641)	(5,917)
Provision for impairment of investment in subsidiaries	11	(2,429)	(830)
Provision for impairment of loans to subsidiaries	12	(4,334)	(3,826)
<b>Operating loss</b>		<b>(12,404)</b>	<b>(10,573)</b>
Interest receivable and similar income	4	110	101
Interest payable and similar charges	5	(775)	(1,456)
<b>Loss on ordinary activities before taxation</b>	3	<b>(13,069)</b>	<b>(11,928)</b>
Tax on loss on ordinary activities	8	-	-
<b>Loss for the financial year</b>	15-16	<b>(13,069)</b>	<b>(11,928)</b>

All results relate to continuing operations.

<sup>(1)</sup>The Company has changed its presentation currency for financial reporting to US dollars. Refer to Note 2(a) for further details.

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents.

# SUMATRA COPPER & GOLD PLC

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2013

---

	Year ended 31 December 2013	Year ended 31 December 2012 <sup>(1)</sup> Restated
	US\$000	US\$000
<b>Loss for the financial year</b>	(13,069)	(11,928)
<b>Total recognised gains and losses relating to the period</b>	<b>(13,069)</b>	<b>(11,928)</b>

<sup>(1)</sup>The Company has changed its presentation currency for financial reporting to US dollars. Refer to Note 2(a) for further details

# SUMATRA COPPER & GOLD PLC

BALANCE SHEET AS AT 31 DECEMBER 2013

		31 December 2013	31 December 2012 <sup>(1)</sup>
	Notes	US\$000	Restated US\$000
<b>Fixed assets</b>			
Tangible assets	9	307	18
Investments	10	2,763	5,192
<b>Total fixed assets</b>		<b>3,070</b>	<b>5,210</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	115	115
Debtors: amounts falling due after one year	11	38,804	20,582
Cash at bank and in hand		2,627	7,536
<b>Total current assets</b>		<b>41,546</b>	<b>28,233</b>
<b>TOTAL ASSETS</b>		<b>44,616</b>	<b>33,443</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	12	543	267
Convertible loan: amounts falling due within one year	13	2,500	5,356
<b>Total liabilities</b>		<b>3,043</b>	<b>5,623</b>
<b>Net current assets</b>		<b>38,503</b>	<b>22,610</b>
<b>Net assets</b>		<b>41,573</b>	<b>27,820</b>
<b>Capital and reserves</b>			
Called up share capital	14	6,580	4,181
Share premium account	15	54,519	30,397
Other reserves	15	1,015	1,015
Profit and loss account	15	(20,541)	(7,773)
<b>Total shareholders' funds</b>	15-16	<b>41,573</b>	<b>27,820</b>

<sup>(1)</sup>The Company has changed its presentation currency for financial reporting to US dollars. Refer to Note 2(a) for further details

The financial statements on pages 57 to 73 were authorised for issue by the Board of Directors on 31 March 2014 and were signed on its behalf by:

Julian Ford  
Managing Director

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

---

### 1. Principal accounting policies

The financial statements are prepared in accordance with the historical cost convention as modified by the revaluation of certain financial instruments in accordance with the Companies Act 2006 and applicable UK accounting standards.

A summary of the company's accounting policies which have been reviewed by the directors as required under Financial Reporting Standard ('FRS' 18), 'Accounting Policies' and have been consistently applied are set out below (with the exception of (d) foreign currencies):

#### (a) Going concern

The Group's principal asset is the Tembang Project which is expected to be significantly cash generative when it achieves commercial production. Due to the fall in metal prices in 2013 the project was suspended in December to allow additional drilling and feasibility work to be completed. In March 2014 the Company announced updated reserves for the Tembang project and expects to release the results of its feasibility study in April 2014. The Group estimates that approximately US\$ 40 million of additional funding will be needed to achieve commercial production.

The Group is in advanced negotiations to secure financing facilities to raise up to US\$ 30 million of debt. An Independent Technical Advisor has been appointed and is expecting to report by mid April 2014 allowing banking credit approval to be achieved. As also announced on 31 March 2014 a mandate letter was signed to raise the equity needed to complete full project funding which is non-binding and subject to certain conditions. The Group's major shareholders are expected to support the equity raise. The Group expects project funding to be complete and construction to recommence before the end of June 2014.

At 31 December 2013 the Group had cash of US\$ 4.1 million and, excluding convertible loans from the Group's major shareholders, negative net current liabilities of US\$ 3.5 million. Current liabilities include trade payable obligations for the purchase of construction equipment and services that have been scheduled to occur once the Tembang project financing is completed. The Group has received a letter of support from a major shareholder expressing its willingness to provide additional working capital funding up to US\$ 3 million until the end of June 2014, if necessary; in addition the Group also has authorisation to make further equity placements if necessary on short notice.

The Group's detailed cash flow forecasts, which include cash inflows from debt and the additional equity raise, show that the Group has sufficient working capital for at least a year from the date this annual report is approved.

The Directors believe there to be a reasonable prospect of the Group completing the Tembang financing and construction. However, the need to complete the debt and equity funding, and to manage the net current liability position, indicate the existence of material uncertainties which may cast significant doubt as to the Group's ability to continue as a going concern. In the event that some combination of the above events fails to occur as expected, the Group and as a result the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

---

### **(b) Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment in value.

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Computer equipment and office equipment - 33% straight line

### **(c) Deferred taxation**

Full provision is made for deferred taxation in accordance with FRS 19 'Deferred tax' on all material timing differences. These are based on tax rates that are expected to apply at the time of reversal, which will be the rates that have either been enacted or substantially enacted, by the balance sheet date. Deferred tax assets are recognized to the extent they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

### **(d) Foreign currencies**

The financial report is presented in US dollars, which is the Company's presentation and local currency (refer note 2(a) for change in presentation currency).

The local currency of each of the Company is measured using the currency of the primary economic environment in which that entity operates. The amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'local currency').

Transactions denominated in currencies other than the entity's local currency are translated into the local currency at spot rates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the local currency rate of exchange ruling at the balance sheet date. All exchange differences are recognised in the profit and loss account

### **(e) Cash flow statements**

The Company has taken advantage of the exemption available to it under Financial Reporting Standard 1 (revised 1996), which provides that where a company is a member of a group and a consolidated cash flow statement is publicly available, the company does not have to prepare a cash flow statement.

### **(f) Convertible loans**

A convertible loan that can be converted to share capital at the option of the holder and the number of shares to be issued does not vary with changes in their fair value is classified as compound financial instruments.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

---

liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured.

Where the conversion option is such that the option will not be settled by the Company exchanging a fixed number of its own equity instruments for a fixed amount of cash, the convertible loan does not meet the definition of a compound financial instrument. In such cases, the convertible loan is a hybrid financial instrument and the option to convert is an embedded derivative. Attached options (options entered into in consideration for entering into the host contract) on similar terms are also embedded derivatives. Provided certain criteria are met, the Company designates such hybrid contracts as financial liabilities and accounts for them at fair value through the profit and loss account.

### **(g) Financial instruments**

The Company has taken advantage of the exemption available to it under Financial Reporting Standard 29, which provides that where a company is a member of a group and the ultimate parent company produces consolidated financial statements that are publicly available, the company does not have to provide disclosures in relation to financial instruments.

#### *Loans and other receivables*

Loans and other receivables are recorded initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### *Investments*

Fixed asset investments are shown at cost less provision for impairment. The carrying value of the investments is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Trade and other creditors*

Trade and other creditors are initially stated at fair value and subsequently measured at amortised cost using the effective interest method.

#### *Share capital*

Ordinary shares are classified as equity and are recorded at the nominal value of proceeds received. Where shares are issued above nominal value, the proceeds in excess of the nominal value are recorded in the share premium account. Any costs of share issue are netted off the share premium account.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 2. Change in Accounting Policy

#### (a) Change in presentation currency

As the Group has progressed to the development and construction phase of the Tembang project major cash outflows are now denominated in US Dollars. Future revenue from the Tembang project will be denominated in US Dollars, and it is anticipated that future debt and capital raisings will be denominated in US Dollars. On this basis, the Company has changed its local and presentation currency from Pounds Sterling to US Dollars, effective 1 January 2013 Refer note 1(d).

In order to derive US\$ equivalent for the financial statements, the Company has accounted for this change in presentation currency retrospectively using the exchange rate at the date of change. As a result, all the components of the financial statements: assets, liabilities, equity, revenue and expenses have been converted using the spot rate £1 = US\$1.61680 as at 1 January 2013. No foreign currency translation differences arise from this change.

The statements of profit or loss and financial position in Pounds Sterling and US Dollars are stated below:

<b>Profit and loss account</b>			
	<b>Notes</b>	<b>Year ended 31 December 2012</b>	<b>Year ended 31 December 2012 Restated</b>
		<b>£'000</b>	<b>US\$000</b>
Administrative expenses		(3,659)	(5,917)
Provision for impairment of investment in subsidiaries	11	(513)	(830)
Provision for impairment of loans to subsidiaries	12	(2,367)	(3,826)
<b>Operating loss</b>		<b>(6,539)</b>	<b>(10,573)</b>
Interest receivable and similar income	4	62	101
Interest payable and similar charges	5	(901)	(1,456)
<b>Loss on ordinary activities before taxation</b>	3	<b>(7,378)</b>	<b>(11,928)</b>
Tax on loss on ordinary activities	8	-	-
<b>Loss for the financial year</b>	15, 16	<b>(7,378)</b>	<b>(11,928)</b>
<b>Total recognised gains and losses relating to the year</b>		<b>(7,378)</b>	<b>(11,928)</b>

# SUMATRA COPPER & GOLD PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

<b>Balance sheet</b>			
	Notes	31 December 2012 £'000	31 December 2012 Restated US\$000
<b>Fixed assets</b>			
Tangible assets	9	11	18
Investments	10	3,211	5,192
<b>Total fixed assets</b>		<b>3,222</b>	<b>5,210</b>
Debtors: amounts falling due within one year	11	71	115
Debtors: amounts falling due after one year	11	12,730	20,582
Cash at bank and in hand		4,661	7,536
<b>Total current assets</b>		<b>17,462</b>	<b>28,233</b>
<b>TOTAL ASSETS</b>		<b>20,684</b>	<b>33,443</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	12	165	267
Convertible loan: amounts falling due within one year	13	3,312	5,356
<b>Total liabilities</b>		<b>3,477</b>	<b>5,623</b>
<b>Net current assets</b>		<b>13,985</b>	<b>22,610</b>
<b>Net assets</b>		<b>17,207</b>	<b>27,820</b>
<b>Capital and reserves</b>			
Called up share capital	14	2,586	4,181
Share premium account	15	18,801	30,397
Other reserves	15	627	1,015
Profit and loss account	15	(4,807)	(7,773)
<b>Total shareholders' funds</b>	15-16	<b>17,207</b>	<b>27,820</b>

# SUMATRA COPPER & GOLD PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

## 3. Loss on ordinary activities before taxation

	Year ended 31 December 2013 US\$000	Year ended 31 December 2012 US\$000
This has been arrived at after charging the following:		
Auditors' remuneration:		
Fees payable to the company's auditors for the audit of the parent company	85	77
Fees payable to the company's auditors for other services pursuant to legislation	31	20
Net foreign exchange loss	411	192
Depreciation of tangible assets	6	6
Provision for impairment of investment in subsidiaries	2,429	830
Provision for impairment of loans to subsidiaries	4,334	3,826

## 4. Interest receivable and similar income

	Year ended 31 December 2013 US\$000	Year ended 31 December 2012 US\$000
Bank interest income	110	101
	<b>110</b>	<b>101</b>

## 5. Interest payable and similar charges

	Year ended 31 December 2013 US\$000	Year ended 31 December 2012 US\$000
Exchange losses	410	192
Bank interest expense	1	1
Loan interest expense	-	69
Interest expense on convertible loan	159	403
Accretion expense on convertible loan	205	791
	<b>775</b>	<b>1,456</b>

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### 6. Employee information

The monthly average number of persons employed by the company during the year was:

	Year ended 31 December 2013 Number	Year ended 31 December 2012 Number
<b>By activity</b>		
Administration	8	7
	<b>8</b>	<b>7</b>

	Year ended 31 December 2013 US\$000	Year ended 31 December 2012 US\$000
<b>Staff costs (for the above persons)</b>		
Wages and salaries	1,648	1,635
Share option compensation charge	301	474
Social security costs	121	84
	<b>2,070</b>	<b>2,193</b>

### 7. Directors' emoluments

	Year ended 31 December 2013 US\$000	Year ended 31 December 2012 US\$000
Aggregate emoluments	731	879
	<b>731</b>	<b>879</b>
Number of Directors to whom retirement benefits are accruing under a money purchase scheme	-	-

The emoluments of the highest paid Director are as follows:

	Year ended 31 December 2013 US\$000	Year ended 31 December 2012 US\$000
Aggregate emoluments	349	410
	<b>349</b>	<b>410</b>

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

The highest paid director did not exercise any options during the financial year ended 31 December 2013 (2012: Nil).

### 8. Tax on loss on ordinary activities

a) Analysis of charges for the year

	Year ended 31 December 2013 US\$000	Year ended 31 December 2012 US\$000
Current tax:	-	-
UK corporation tax on profits for the year	-	-
Total current tax	-	-

b) The tax assessed for the year is higher than the small company rate of corporation tax in the UK of 21%. The differences are explained below:

	Year ended 31 December 2013 US\$000	Year ended 31 December 2012 US\$000
Loss on ordinary activities before taxation	(13,069)	(11,928)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2012:21%)	(2,745)	(2,505)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	1,607	1,166
Losses carried forward not recognised	1,138	1,339
	-	-

c) Deferred tax

At 31 December, the Company had potential unrecognised deferred tax assets/(liabilities) as follows:

	Amount Unrecognised 2013 US\$000	Amount Unrecognised 2012 US\$000
Tax effect of timing differences because of:		
Tax losses carried forward not recognised	4,027	2,889
	<b>4,027</b>	<b>2,889</b>

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Deferred tax assets in respect of losses are not recognised as there is insufficient evidence that they are recoverable. The deferred tax assets would be recoverable if the Company were to become profitable in the future.

### 9. Tangible assets

	US\$000
<b>Cost:</b>	
As at 1 January 2013	40
Additions	295
<b>As at 31 December 2013</b>	<b>335</b>
<b>Accumulated Depreciation:</b>	
As at 1 January 2013	(22)
Charge for the year	(6)
<b>As at 31 December 2013</b>	<b>(28)</b>
<b>Net Book Value:</b>	
<b>As at 31 December 2013</b>	<b>307</b>
As at 31 December 2012	18

### 10. Investments

	Subsidiary undertakings US\$000	Associate undertakings US\$000	Total Investments US\$000
As at 1 January 2012	5,676	345	6,021
Additions	-	1	1
Provision for impairment	(830)	-	(830)
<b>As at 31 December 2012</b>	<b>4,846</b>	<b>346</b>	<b>5,192</b>
Provision for impairment	(2,429)	-	(2,429)
<b>As at 31 December 2013</b>	<b>2,417</b>	<b>346</b>	<b>2,763</b>

During the year ended 31 December 2013, the company considered a provision for impairment of US\$2.4 million associated with PT Nusa Palapa Minerals as no further exploration work is plan in relation to the Sontang project.

The directors believe that the carrying value of all other investments is supported by their underlying net assets.

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

During the year ended 31 December 2012 the Company had the following arrangements:

- Invested US\$844 for 844 shares in its Indonesian operating entity PT BUG, to maintain its 27.75% interest.
- Impaired US\$830,168 in certain subsidiary undertakings where future exploration is no longer planned at the subsidiary level.

Particulars of the Company's subsidiaries and associates are as follows:

	31 December 2013 %	31 December 2012 %
PT Dwinad Nusa Sejahtera <sup>(a)</sup>	99.95	99.95
PT Nusa Palapa Minerals <sup>(a)</sup>	99.95	99.95
PT Bengkulu Utara Gold <sup>(b)</sup>	27.75	27.75
PT Musi Rawas Gold <sup>(a)</sup>	99.95	99.95
PT Jambi Gold <sup>(a)</sup>	99.95	99.95
PT Lebong Gold <sup>(a)</sup>	99.95	99.95
PT Kotanopan Mining <sup>(c)</sup>	98.00	98.00
PT Mandaling Mining <sup>(c)</sup>	98.00	98.00

\*

(a) Mr Adi Sjoekri, Director of the Group holds the additional 0.05% interest in this entity.

(b) PT Nusa Palapa Minerals holds an additional 2.25% interest in this entity.

(c) Mr Adi Sjoekri, Director of the Group holds 98% interest in this entity.

All of the above Indonesian operating entities principal activities is that of minerals exploration.

## 11. Debtors

	31 December 2013 US\$000	31 December 2012 US\$000
<b>Amounts falling due after more than one year:</b>		
Amounts owed by group undertakings	46,964	24,408
Provision for impairment of loans to subsidiaries	(8,160)	(3,826)
	<b>38,804</b>	<b>20,582</b>
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	114	114
Prepayments and accrued income	1	1
	<b>115</b>	<b>115</b>
<b>Total debtors</b>	<b>38,919</b>	<b>20,697</b>

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Amounts owed by group undertakings represent intercompany loans to Indonesian companies. Repayment of these loans is not expected within the next 12 months.

As at 31 December 2012 an impairment provision of US\$3.8 million had been recognised in relation to amounts owed from subsidiaries where future exploration was no longer expected. During the year ended 31 December 2013, the company recognised an additional provision for impairment of US\$4.3 million associated with the Sontang project as no further exploration work is planned.

### 12. Creditors: amounts falling due within one year

	31 December 2013 US\$000	31 December 2012 US\$000
Trade creditors	301	148
Taxation and social security costs	83	40
Accruals and deferred income	159	79
	<b>543</b>	<b>267</b>

### 13. Convertible loan

	31 December 2013 US\$000	31 December 2012 US\$000
Convertible loan note Provident Capital Partners <sup>(a)</sup>	2,500	-
Secured bank convertible loan Macquarie Bank Limited <sup>(b)</sup>	-	5,356
	<b>2,500</b>	<b>5,356</b>

#### (a) Convertible loan note

On 18 December 2013, the Company entered into a "Convertible Loan Facility Agreement" with Provident Capital Partners ("PCP") to provide an unsecured convertible debt facility of US\$ 4.0 million. The facility can be drawn down in two tranches; the first tranche of US\$2.5 million (draw down during the year ended 2013) and the second tranche of US\$1.5 million available to be drawn based on certain conditions precedent including satisfactory progress on the planned drill program at the Tembang Project (drawn down subsequent to year end on 6 March 2014). Interest is creditable under the facility at 9% per annum (compounded monthly on the last day of the month and accrued daily and calculated on the basis of a 360 days year), payable in cash upon repayment of the facility, with a facility fee of 3% to be capitalised and repaid on maturity of the facility. There is no equity component in this convertible loan and therefore the Company has accounted for the convertible loan as a financial liability at fair value through the profit and loss account. There has been no gain or loss recognised in the year ended 31 December 2013

# SUMATRA COPPER & GOLD PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### (b) Secured bank convertible loan

The Company had a convertible loan facility of A\$5.0 million from Macquarie Bank Limited which accrued interest at the BBSY rate plus 7.5%pa. The loan was repayable twelve months from drawdown (April 2012) and was secured by a fixed and floating charge over the assets of the Group and a share pledge over the parent's investment in subsidiary company PT Dwinad Nusa Sejahtera. The loan was fully repaid in cash during March 2013.

The facility includes the issue of 31,250,000 options over the CDI's of the Company, exercisable at A\$0.16, which expired on 27 March 2014.

The convertible loan facilities are presented in the statement of financial position as follows

	31 December 2013 US\$000	31 December 2012 US\$000
Face value of facility	2,500	5,248
Value of conversion rights in other reserves <sup>(1)</sup>	-	(1,015)
	<b>2,500</b>	<b>4,233</b>
<b>Liability component on initial recognition</b>		
Interest payable <sup>(2)</sup>	-	1,220
Exchange movements	-	(97)
<b>Current liability</b>	<b>2,500</b>	<b>5,356</b>

(1) The equity component of the Macquarie secured bank convertible loan remains in the convertible loan reserve and does not get revalued as it was fully settled in cash during March 2013.

(2) Interest expense is calculated by applying the effective interest rate of 40.7% to the liability component. Interest payable under the loan facility was cash settled upon maturity of the Principal.

## 14. Called up share capital

	31 December 2013 US\$000	31 December 2012 US\$000
<b>Allocated, called up and fully paid</b>		
414,467,651 ordinary shares of US\$0.016 - £0.01 each (2012: 258,621,681 ordinary shares of US\$0.016 - £0.01 each)	<b>6,580</b>	4,181

During the period ended 31 December 2013 the company issued the following:

- 38,000,000 shares for cash totalling A\$8,360,000 (US\$8,614,462) at A\$0.22 per share.
- 6 shares for cash totalling A\$1 (US\$1) at A\$0.20 per share.
- 117,845,964 shares for cash totalling A\$20,033,814 (US\$19,197,391) at A\$0.17 per share pursuant to a 2 for 5 non-renounceable rights issue.

# SUMATRA COPPER & GOLD PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

## 15. Share premium and other reserves

	Share premium account US\$000	Other Reserves US\$000	Profit & loss account US\$000
As at 1 January 2013	30,397	1,015	(7,773)
Premium on issue of shares	25,414	-	-
Share issue cost	(1,292)	-	-
Share option charge	-	-	301
Loss for the financial year	-	-	(13,069)
<b>As at 31 December 2013</b>	<b>54,519</b>	<b>1,015</b>	<b>(20,541)</b>

## 16. Reconciliation of movements in shareholders' funds

	31 December 2013 US\$000	31 December 2012 US\$000
Opening shareholders' funds	27,820	28,423
Net proceeds on issue of shares	26,521	9,837
Value of conversion rights	-	1,014
Share option charge	301	474
Loss for the financial year	(13,069)	(11,928)
<b>Closing shareholders' funds</b>	<b>41,573</b>	<b>27,820</b>

## 17. Related party transactions

During the year ended 31 December 2013, the Company sub-leased office space for its Perth office from Karen Ford, wife of Managing Director Julian Ford. The charge covered rental accommodation, utilities and office expenses. Fees paid to Karen Ford, which were in the ordinary course of business and on normal terms and conditions, amounted to US\$24,381 (31 December 2012: US\$91,853). As at 31 December 2013 there were not outstanding amounts to be paid included within creditors: amounts falling due within one year (31 December 2012: US\$12,106).

During the year ended 31 December 2013 the Company was invoiced US\$11,672 (31 December 2012: Nil) by Hunter Corporate, for company secretary services. Hunter Corporate is a company associated with Susan Hunter who is the Joint Company Secretary. At 31 December 2013 there was no amount outstanding (31 December 2012: Nil).

During the year ended 31 December 2013 the Company was invoiced US\$8,690 (31 December 2012: US\$9,080) by Barr Ellison LLP Solicitors, for company secretary services and legal advice in the United Kingdom. Barr Ellison LLP Solicitors is a company associated with Allison Barr who is the Joint Company Secretary. As at 31 December 2013 there was an amount outstanding of US\$2,824 to be paid (31 December 2012: Nil).

# **SUMATRA COPPER & GOLD PLC**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

---

During the year ended 31 December 2013 the Company was invoiced Nil (31 December 2012: US\$161,520) by Mining Services Trust, for administrative services, including rental accommodation, administrative staff, services and supplies, to the Company. Services Trust was a director related entity associated with Peter Nightingale who resigned and ceased to be Non-executive Director of the Company on 15 August 2012. At 31 December 2012 there was no amount outstanding.

During the year ended 31 December 2013 the Group received Nil (31 December 2012: US\$272,000) from PT Bengkulu Utara Gold in which the Group has a 30% interest, in respect of a management fee. At 31 December 2013 an amount of US\$113,841 (31 December 2012: US\$182,000) was due to the Group.

### **18. Post balance sheet events**

On 6 March 2014 the Company announced the drawdown of the remaining US\$1.5 million of the Convertible Note facility.